THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Yip's Chemical Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

葉氏化工
YIP'S CHEMICAL

Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF APPROXIMATELY 60.0%
EQUITY INTEREST IN THE TARGET COMPANY

Financial adviser to the Company

OPTIMA CAPITAL
Optima Capital Limited

Capitalised terms used on this cover shall have the same meanings as defined in this circular unless the context otherwise requires.

A letter from the Board is set out on pages 6 to 39 of this circular.

The Company has obtained a written shareholder's approval from the Closely Allied Group who are together interested in 304,259,445 Shares, representing approximately 54.48% of the issued share capital of the Company (excluding the treasury Shares), to approve the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer). As such, no general meeting of the Company will be convened for the purpose of approving the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer). This circular is being despatched to the Shareholders for information purposes only.

12 December 2025

CONTENTS

			Page
Definitions			1
Letter from the Board			6
APPENDIX I	–	**Financial information of the Group**	I-1
APPENDIX II	–	**Accountants' report of the Target Group**	II-1
APPENDIX III	–	**Management discussion and analysis of the Target Group**	III-1
APPENDIX IV	–	**Unaudited pro forma financial information of the Enlarged Group**	IV-1
APPENDIX V	–	**Valuation Report**	V-1
APPENDIX VI	–	**General information**	VI-1

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

"Acquisition"	the proposed acquisition by the Purchaser of the Sale Shares from the Vendors pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 24 October 2025 entered into among the Purchaser, Vendor A, Vendor B, the Target Company and WFOE in relation to the Acquisition
"Actual Profit"	the cumulative audited consolidated net profit after tax recorded by the Target Group for the Performance Period
"Agreed Equity Value"	the equity value of 100% equity interest in the Target Company, which shall be determined based on the performance of the Profit Guarantee for the Performance Period pursuant to the terms of the Acquisition Agreement, as agreed between the Purchaser and the Vendors, for the purpose of calculating, among other things, the Contingent Consideration or the Refund
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bank Loan"	the bank loan facility obtained by the Purchaser for the sole purpose of the Acquisition
"Board"	the board of Directors
"Business Day(s)"	day(s) on which banks in the PRC are open for general business, excluding a Saturday, a Sunday and any other day that banks are not open for business
"Closely Allied Group"	a closely allied group of the Shareholders comprising Mr. Ip Chi Shing, Mr. Yip Tsz Hin, Ms. Ip Fung Kuen, Mr. Ip Kwan, Madam Yip Tso Ka Lai, Brenda, Ip Chi Shing Charitable Foundation Limited; and Yip's Care Extension Foundation Limited who are together interested in 304,259,445 Shares, representing approximately 54.48% of the issued share capital of the Company (excluding the treasury Shares) as at the date of the Latest Practicable Date
"Company"	Yip's Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 408)
"Completion"	completion of the Acquisition

"Condition(s)"	the condition(s) precedent to Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition comprising (i) the Initial Consideration; and (ii) the Contingent Consideration or the Refund (as the case may be), and calculated as 60% of the Agreed Equity Value
"Contingent Consideration"	the contingent consideration of up to RMB96,000,000 (equivalent to approximately HK$105.6 million) payable by the Purchaser to the Vendors for the Acquisition, determined based on the performance of the Profit Guarantee for the Performance Period
"Director(s)"	the director(s) of the Company from time to time
"Earnest Money"	the earnest money paid by the Purchaser or its designated party(ies) to the account designated by the Vendors in the amount of RMB34.0 million (equivalent to approximately HK$37.4 million)
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"EV Threshold(s)"	the based amount, the maximum amount and the minimum amount of the Agreed Equity Value as agreed between the Purchaser and the Vendors of RMB480.0 million (equivalent to approximately HK$528.0 million), RMB640.0 million (equivalent to approximately HK$704.0 million) and RMB424.0 million (equivalent to approximately HK$466.4 million), respectively
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons
"Initial Consideration"	the initial consideration of RMB288.0 million (equivalent to approximately HK$316.8 million) payable by the Purchaser to the Vendors for the Acquisition
"Latest Practicable Date"	10 December 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Lock-Box Date"	30 June 2025
"Performance Period"	the period of 36 months commencing 1 January 2026 and ending 31 December 2028 (both dates inclusive)
"PG Threshold(s)"	the based amount, the maximum amount and the minimum amount of the Profit Guarantee as agreed between the Purchaser and Vendors of RMB180 million (equivalent to approximately HK$198 million), RMB300 million (equivalent to approximately HK$330 million) and RMB150 million (equivalent to approximately HK$165 million), respectively
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Profit Guarantee"	the guarantee provided by the Vendors in respect of the Actual Profit of the Target Group to be recorded for the Performance Period for the purpose of calculating, among other things, the Contingent Consideration or the Refund
"Purchaser"	Yip's Puricycle Management (Shenzhen) Company Limited# (葉氏清源管理(深圳)有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
"Refund"	the refund of up to RMB33,600,000 (equivalent to approximately HK$37.0 million) payable by the Vendors to the Purchaser, determined based on the performance of the Profit Guarantee for the Performance Period
"Sale Shares"	the Sale Shares A and the Sale Shares B
"Sale Shares A"	approximately 48.3% equity interest of the Target Company as at the date of the Acquisition Agreement
"Sale Shares B"	approximately 11.7% equity interest of the Target Company as at the date of the Acquisition Agreement
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the issued Share(s)
"Shareholders Agreement"	the shareholders agreement to be entered into between the Purchaser, the Vendors, WFOE and the Target Company to define and regulate the rights and obligations of the shareholders of the Target Company following Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Beijing Sino-Hypro Petrochemical Tech. Co., Ltd.# (北京信諾海博石化科技發展有限公司), a company established in the PRC with limited liability, and is owned as to approximately 48.3%, 11.7% and 40.0% by Vendor A, Vendor B and WFOE, respectively, as at the date of the Acquisition Agreement
"Target Group"	the Target Company and its subsidiaries
"Valuation"	the valuation of 60% equity value of the Target Group at RMB386 million (equivalent to approximately HK$424.6 million) by the Valuer as at 30 June 2025
"Valuation Report"	the report prepared by the Valuer in respect of the Valuation
"Valuer"	BMI Appraisals Limited, an independent professional firm providing valuation and consulting services
"Vendor A"	Mr. Zhang Guorui (張國瑞), who (a) directly holds approximately 48.3% equity interest; and (b) through WFOE, indirectly holds approximately 32.2% equity interest, in the Target Company, and is the spouse of Vendor B
"Vendor B"	Ms. Liu Qing (劉青), who (a) directly holds approximately 11.7% equity interest; and (b) through WFOE, indirectly holds approximately 7.8% equity interest, in the Target Company, and is the spouse of Vendor A
"Vendors"	Vendor A and Vendor B
"WFOE"	Beijing Xinzhinuo Tech. Co., Ltd.# (北京鑫至諾科技有限公司), a wholly foreign owned enterprise established in the PRC with limited liability, which is the beneficial owner of approximately 40.0% equity interest in the Target Company, and is indirectly owned as to 80.5% and 19.5% by Vendor A and Vendor B, respectively, as at the date of the Acquisition Agreement

"Written Approval"	the written shareholder's approval obtained by the Company from the Closely Allied Group on 24 October 2025 to approve the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer) pursuant to Rule 14.44 of the Listing Rules
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

Unless otherwise specified, in this circular, amounts in RMB are translated into HK$ on the basis of RMB1.00 to HK$1.10. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at other rates or at all.

\# *The English translation of certain Chinese names or words in this circular are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

葉氏化工
YIP'S CHEMICAL

Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 408)

Non-executive Director:
Mr. Ip Chi Shing *(Chairman)*

Executive Directors:
Mr. Yip Tsz Hin *(Deputy Chairman)*
Mr. Ip Kwan *(Chief Executive Officer)*
Mr. Ho Sai Hou *(Chief Financial Officer)*

Independent non-executive Directors:
Mr. Ho Pak Chuen, Patrick
Mr. Ku Yee Dao, Lawrence
Ms. Yau Ching Man

Registered office:
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Grand Cayman
KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
27/F., Fortis Tower
Nos. 77-79 Gloucester Road
Wanchai
Hong Kong

12 December 2025

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF APPROXIMATELY 60.0%
EQUITY INTEREST IN THE TARGET COMPANY**

INTRODUCTION

Reference is made to the announcement of the Company dated 24 October 2025 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer); (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) management discussion and analysis of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the Valuation Report; and (vii) other information as required under the Listing Rules.

THE ACQUISITION

On 24 October 2025 (before the trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendors, the Target Company and WFOE entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, being an aggregate of approximately 60.0% of the equity interest in the Target Company.

The Target Company is a leading enterprise in the PRC engaged in the research, design, manufacturing and provision of specialised systems solutions for managing chemical vapours emissions generated during the production, storage and transportation of chemicals, oil and gas.

The Initial Consideration is RMB288,000,000 (equivalent to approximately HK$316.8 million). Subject to the performance of the Profit Guarantee for the Performance Period, (i) the Contingent Consideration of up to RMB96,000,000 (equivalent to approximately HK$105.6 million) shall be payable by the Purchaser to the Vendors; or (ii) the Refund of up to RMB33,600,000 (equivalent to approximately HK$37.0 million) shall be payable by the Vendors to the Purchaser. As such, the maximum amount of the Consideration would be RMB384,000,000 (equivalent to approximately HK$422.4 million), and the minimum amount of the Consideration would be RMB254,400,000 (equivalent to approximately HK$279.8 million). The Initial Consideration, the Contingent Consideration (if any) and the Refund (if any) shall be settled in cash and paid to Vendor A and Vendor B on a pro-rata basis according to their shareholding in the Target Company prior to Completion.

Upon Completion, the Target Company shall be owned as to approximately 60.0% by the Purchaser and approximately 40.0% by WFOE. Members of the Target Group will become indirect non-wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

THE ACQUISITION AGREEMENT

Date

24 October 2025

Parties

(i) Yip's Puricycle Management (Shenzhen) Company Limited# (葉氏清源管理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser;

(ii) Mr. Zhang Guorui (張國瑞) (i.e. Vendor A), as one of the vendors;

(iii) Ms. Liu Qing (劉青) (i.e. Vendor B), as another vendor;

(iv) the Target Company; and

(v) WFOE.

Vendor A is a PRC national and is the spouse of Vendor B. He is one of the founders of the Target Group. As at the date of the Acquisition Agreement, Vendor A (a) directly holds approximately 48.3% equity interest; and (b) through WFOE, indirectly holds approximately 32.2% equity interest, in the Target Company.

Vendor B is a PRC national and is the spouse of Vendor A. As at the date of the Acquisition Agreement, Vendor B (a) directly holds approximately 11.7% equity interest; and (b) through WFOE, indirectly holds approximately 7.8% equity interest, in the Target Company.

WFOE is a wholly foreign owned enterprise established in the PRC with limited liability, which is the beneficial owner of approximately 40.0% equity interest in the Target Company, and is indirectly owned as to 80.5% and 19.5% by Vendor A and Vendor B, respectively, as at the date of the Acquisition Agreement. It is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and WFOE are Independent Third Parties.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and

(i) Vendor A has conditionally agreed to sell, the Sale Shares A, being approximately 48.3% equity interest directly held by Vendor A in the Target Company; and

(ii) Vendor B has conditionally agreed to sell, the Sale Shares B, being approximately 11.7% equity interest directly held by Vendor B in the Target Company,

free from all encumbrances and together with all rights attached thereto as at the date of Completion.

Upon Completion, the Target Company shall be owned as to approximately 60.0% by the Purchaser and approximately 40.0% by WFOE. Members of the Target Group will become indirect non-wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group. Further details of the Target Group are set out in the section headed "*Information of the Target Group*" below.

Consideration

The Consideration comprises (i) the Initial Consideration; and (ii) (a) the Contingent Consideration or (b) the Refund (as the case may be), subject to performance of the Profit Guarantee by the Target Group for the Performance Period as described in the sub-section headed "*The Acquisition Agreement — Consideration — Profit Guarantee and adjustments to the Consideration*" below.

The Initial Consideration

The Initial Consideration is RMB288,000,000 (equivalent to approximately HK$316.8 million), subject to adjustment as further described below.

The Initial Consideration shall be payable by the Purchaser to the Vendors in cash in the following manner:

(i) the first payment in the amount of RMB86,400,000 (equivalent to approximately HK$95.0 million) shall be payable by the Purchaser within 10 Business Days upon the fulfilment of all of the Conditions (save for Condition (vii)(b) relating to the tax declaration and withholding responsibility of the Vendors; Condition (vii)(c) relating to the completion of change of business registration of the Target Company; and Condition (xiv) relating to the confirmation letter of satisfaction of the Conditions);

(ii) the second payment in the amount of RMB167,600,000 (equivalent to approximately HK$184.4 million) shall be payable by the Purchaser within 10 Business Days upon the fulfilment of all of the Conditions and delivery by the Vendors and the Target Company to the Purchaser all the completion documents in accordance with the Acquisition Agreement; and

(iii) the remaining balance in the amount of RMB34,000,000 (equivalent to approximately HK$37.4 million) shall be payable by the Purchaser within 10 Business Days upon the Group having received the full repayment of the Earnest Money by the Vendors.

Prior to the entering into of the Acquisition Agreement, the Earnest Money in the amount of RMB34,000,000 (equivalent to approximately HK$37.4 million) has been paid by the Group to the account designated by the Vendors, in relation to, among other things, the possible acquisition of the equity interest in the Target Company, subject to the entering into of a formal agreement, and the rights of the Group for carrying out of due diligence on the Target Group. The Group paid the Earnest Money through a fellow subsidiary of the Purchaser, which is not a party to the Acquisition Agreement. As a result, the Earnest Money does not form part of the Initial Consideration and, as set out in paragraph (iii) above, shall be repaid in full by the Vendors to the Group before the Purchaser pays the remaining balance of the Initial Consideration to the Vendors.

During the period from the Lock-Box Date to the date of Completion, if there is any payment made by the Target Group, any distribution declared or distributed by the Target Group (unless specifically allowed or agreed to by the Purchaser), or liabilities incurred for the benefit of, and/or any transfer of the Target Group's assets or other interests to, any of the Vendors or their respective related parties or connected persons (or any third party designated in writing by any of them), such amount (the "**Value Leakage Amount**") shall be deducted from relevant payments of the Initial Consideration payable by the Purchaser to the Vendors. For the avoidance of doubt, the pre-Completion dividends, which, under the terms of the Acquisition Agreement, may be declared and paid by the Target Company to the Vendors prior to Completion as mentioned in the sub-section headed "*The Acquisition Agreement — Pre-Completion dividends*" below, shall not be included in the Value Leakage Amount.

70% of the Initial Consideration will be settled by the Bank Loan obtained by the Purchaser for the purpose of the Acquisition with the remaining 30% settled by the internal resources of the Group.

Profit Guarantee and adjustments to the Consideration

Pursuant to the Acquisition Agreement, the Purchaser and the Vendors have agreed on the Profit Guarantee and adjustments to the Consideration, as incentive for the Target Company's performance.

The performance of the Profit Guarantee will be determined based on (i) the Actual Profit, being the consolidated net profit after tax recorded by the Target Group for the Performance Period (i.e. the 36 months commencing from 1 January 2026 and ending on 31 December 2028); as benchmarked against (ii) the PG Thresholds, details of which are set out in the subsection headed "*PG Thresholds*" below.

The Consideration for the Acquisition of 60% equity interest in the Target Company will be determined with reference to the Agreed Equity Value of 100% equity interest in the Target Company. The Agreed Equity Value shall be determined based on (i) the performance of the Profit Guarantee, as mentioned above; and (ii) the EV Thresholds, according to the adjustment mechanism and summarised as follows:

(a) if the Actual Profit exceeds the based PG Threshold, the Agreed Equity Value will be determined at an amount greater than the based EV Threshold, but not more than the maximum EV Threshold;

(b) if the Actual Profit is less than the based PG Threshold, the Agreed Equity Value will be determined at an amount less than the based EV Threshold, but not less than the minimum EV Threshold;

(c) the Consideration (comprising the Initial Consideration and the Contingent Consideration or the Refund, as the case may be) is calculated as 60% of the Agreed Equity Value, and the Initial Consideration was calculated as 60% of the based EV Threshold;

(d) given (c) above, if the Agreed Equity Value exceeds the based EV Threshold, then the Consideration will exceed the Initial Consideration, and the Purchaser shall pay to the Vendors the difference, i.e. the Contingent Consideration; and

(e) given (c) above, if the Agreed Equity Value is less than the base EV Threshold, the Consideration will be less than the Initial Consideration, and the Vendors shall pay to the Purchaser the difference, i.e. the Refund.

Details of the EV Thresholds are and the detailed adjustment mechanism is set out in the subsections headed "*EV Thresholds*" and "*Adjustment mechanism*" below, respectively.

PG Thresholds

Pursuant to arm's length negotiations between the Company and the Vendors, details of the agreed PG Thresholds of the Target Company for the three-year Performance Period are as follows:

(i) Based PG Threshold of RMB180 million (equivalent to approximately HK$198.0 million), which is equivalent to an average of RMB60 million (equivalent to approximately HK$66.0 million) per annum.

This threshold was determined by the parties after arm's length negotiations and with reference to the historical profit of the Target Company for the one year and six months ended 30 June 2025 of approximately RMB91.3 million in aggregate for the period (equivalent to approximately HK$100.4 million) (adjusted for non-recurring items), which is equivalent to an average of approximately RMB60.9 million (equivalent to approximately HK$67.0 million) per annum.

(ii) Maximum PG Threshold of RMB300 million (equivalent to approximately HK$330.0 million), which is equivalent to an average of RMB100 million (equivalent to approximately HK$110.0 million) per annum.

This threshold was determined by the parties after arm's length negotiations and with reference to (a) the target profit of the Target Company for the year ended 31 December 2025 based on contracts on hand with aggregate contract value of approximately RMB308.0 million, of which, based on the management accounts of the Group, unaudited profit of approximately RMB30.6 million (adjusted for non-recurring items) has been recorded for the six months ended 30 June 2025; and (b) the target growth in profit during the Performance Period representing a compound annual growth rate ("**CAGR**") of about 10% based on expected growth rate of the environmental protection industry in the PRC over the Performance Period. According to《中國環境保護產業發展報告(2024)》published by the China Association of Environmental Protection Industry (中國環境保護產業協會), the operating revenue of the PRC environmental protection industry grew by a CAGR of about 15.3% between 2012 and 2023; and is projected to grow by a CAGR of about 10% between 2024 and 2029.

(iii) Minimum PG Threshold of RMB150 million (equivalent to approximately HK$165.0 million), which is equivalent to an average of RMB50 million (equivalent to approximately HK$55.0 million) per annum.

This threshold was determined by the parties after arm's length negotiations and with reference to the historical profit of the Target Company for the three years and six months ended 30 June 2025 of approximately RMB172.4 million in aggregate for the period (equivalent to approximately HK$189.6 million) (adjusted for non-recurring items), averaging approximately RMB49.3 million (equivalent to approximately HK$54.2 million) per annum.

Having considered the basis of the PG Thresholds, as set out above, the Directors consider that the PG Thresholds are fair and reasonable for the purposes of assessing the performance of the Profit Guarantee and calculating, among other things, the Contingent Consideration and the Refund.

EV Thresholds

In their preliminary deliberation and discussions with the Vendors, the Directors initially determined the EV Thresholds based on:

(i) the based, maximum and minimum PG Thresholds, as discussed above; multiplied by

(ii) price-to-earnings ("**P/E**") multiples ranging from approximately 8.0 to 8.5 times, which was arrived at based on arm's length negotiations between the Purchaser and the Vendor.

On the above basis, the based and minimum EV Thresholds were determined by the parties at RMB480.0 million and RMB424.0 million, respectively. On the same basis, the maximum EV Threshold would have been determined at about RMB800.0 million. However, given the Valuation of 60% equity interest of the Target Company of RMB386.0 million, the Directors considered that the implied 100% valuation of the Target Company would be approximately RMB643.3 million. In light of this, the Directors determined the maximum EV Threshold at RMB640.0 million.

The above P/E multiples were determined by the Company and the Vendors after arm's length negotiations and with reference to the Company's internal analysis of recent transaction comparables of companies engaged in environmental protection-related business (the "**Comparable Transactions**"). The P/E multiples were determined (i) near the lower end of the range of 6.7 times to 27.4 times (after excluding the outlier of 51.1 times); and (ii) less than the average and median of 14.1 times and 13.4 times (after excluding the outlier of 51.1 times), respectively, of the P/E multiples of the Comparable Transactions. The Directors considered that the P/E multiples determined on the above basis is fair and reasonable for the Company's internal analysis and commercial negotiations with the Vendors.

The selection basis in respect of the Comparable Transactions used for the Company's internal analysis and commercial negotiations with the Vendors (the "**Selection Basis**") are set out below:

(i) relevant information in respect of the transaction is publicly available;

(ii) the buyer(s), seller(s) and/or the target company involved in the transaction is/are listed on the Shanghai Stock Exchange (the "**SHSE**") and/or the Shenzhen Stock Exchange (the "**SZSE**");

(iii) the target company involved in the transaction is principally engaged in environmental protection-related business in the PRC; and

(iv) the transaction was closed during the period from 1 May 2022 to 30 April 2025.

As the Directors considered, among others, (i) the Target Group and the Vendors are based in the PRC; (ii) the Target Group is principally engaged in environmental protection-related business in the PRC; and (iii) the three year review period is sufficient to mitigate the effect of short term market fluctuations, the Selection Basis is fair and reasonable for the purposes of the Company's internal analysis and commercial negotiations with the Vendors.

Based on the above Selection Basis, the Company found eight Comparable Transactions, which, to the best knowledge, information and belief of the Directors, is exhaustive on such basis. Details of the Comparable Transactions are set out in the table below.

Date	Transaction details		Implied value of 100% equity interest of the target company based on the consideration *(Note 1)*	Net profit/(loss) of the target company for the latest full financial year as at the date of announcement of the transaction	Implied P/E multiple
			RMB'million	*RMB'million*	*Times*
April 2025	Target company:	筠誠和瑞環境科技集團股份有限公司	1,761.6	92.2	19.1
	Buyer(s):	溫氏食品集團股份有限公司, a company listed on the SZSE (stock code: 300498)			
	Seller(s):	廣東筠誠投資控股股份有限公司 holding approximately 59.97% and 13 other shareholders each holding less than 10% equity interest in the target company			
	Transaction:	Sale and purchase of 91.38% equity interest in the target company			
	Consideration:	RMB1,609,745,200 in cash			
	Principal business of the target company:	Animal waste resource recovery solutions			

Date	Transaction details		Implied value of 100% equity interest of the target company based on the consideration *(Note 1)* *RMB'million*	Net profit/(loss) of the target company for the latest full financial year as at the date of announcement of the transaction *RMB'million*	Implied P/E multiple *Times*
July 2024	Target company:	ECO Industrial Environmental Engineering Pte Ltd	3,198.7	116.7	27.4
	Buyer(s):	Seche Holdings (SG) Pte. Ltd.			
	Seller(s):	北京首創生態環保集團股份有限公司, a company listed on the SHSE (stock code: 600008)			
	Transaction:	Sale and purchase of 100% equity interest in the target company			
	Consideration:	Approximately SGD605.8 million (equivalent to approximately RMB3,198.7 million) in cash			
	Principal business of the target company:	Collection, recycling and disposal of hazardous industrial waste and industrial and commercial waste; sludge treatment; and other related industrial services			
August 2024	Target company:	浙江浙能玉環環保水務有限公司	305.3	45.5	6.7
	Buyer(s):	錢江水利開發股份有限公司, a company listed on the SHSE (stock code: 600283)			
	Seller(s):	浙江浙能興源節能科技有限公司			
	Transaction:	Bidding for the sale and purchase of 100% equity interest in the target company			
	Valuation:	RMB305.3 million in respect of 100% equity *(Note 2)*			
	Principal business of the target company:	Operation of wastewater treatment plants in Yuhuan City, Zhejiang Province			

Date	Transaction details		Implied value of 100% equity interest of the target company based on the consideration *(Note 1)* *RMB'million*	Net profit/(loss) of the target company for the latest full financial year as at the date of announcement of the transaction *RMB'million*	Implied P/E multiple *Times*
August 2024	Target company:	湖南仁和環境股份有限公司	3,487.0	495.6	7.0
	Buyer(s):	湖南軍信環保股份有限公司, a company listed on the SZSE (stock code: 301109)			
	Seller(s):	湖南仁聯企業發展有限公司 as to approximately 18.6%, 湖南仁景商業管理有限公司 as to approximately 18.8%, 洪也凡 as to approximately 10.2%, and 16 other shareholders each holding less than 3% equity interest in the target company			
	Transaction:	Sale and purchase of 63% equity interest in the target company			
	Consideration:	RMB2,196.8 million (RMB1,537.8 million in shares and RMB659.0 million in cash)			
	Principal business of the target company:	Investment in and operation of domestic waste transfer and treatment, and food waste collection, transportation, treatment and resource utilisation			
July 2023	Target company:	蘇州悠遠環境科技有限公司	452.9	28.8	15.7
	Buyer(s):	MANN+HUMMEL Life Sciences & Environment Holding Singapore Pte. Ltd.			
	Seller(s):	重慶再升科技股份有限公司, a company listed on the SHSE (stock code: 603601)			
	Transaction:	Sale and purchase of 70% equity interest in the target company			
	Consideration:	RMB317.0 million			
	Principal business of the target company:	Supply of air filtration products and purification equipment for high-end cleanrooms			

Date	Transaction details		Implied value of 100% equity interest of the target company based on the consideration *(Note 1)* *RMB'million*	Net profit/(loss) of the target company for the latest full financial year as at the date of announcement of the transaction *RMB'million*	Implied P/E multiple *Times*
March 2023	Target company:	東營津膜環保科技有限公司	100.8	10.9	9.2
	Buyer(s):	成都市興蓉環境股份有限公司			
	Seller(s):	天津膜天膜科技股份有限公司, a company listed on the SZSE (stock code: 300334)			
	Transaction:	Sale and purchase of 60% equity interest in the target company			
	Consideration:	RMB60.5 million in cash			
	Principal business of the target company:	Technology, research and development, and engineering services for wastewater treatment, water reclamation and reuse, sales of water and wastewater treatment equipment, ultrafiltration and microfiltration membranes and membrane components, design of water treatment technical solutions and processes			
March 2023	Target company:	東營膜天膜環保科技有限公司	112.5	2.2	51.1 *(Note 3)*
	Buyer(s):	成都市興蓉環境股份有限公司, a company listed on the SZSE (stock code: 000598)			
	Seller(s):	天津膜天膜科技股份有限公司, a company listed on the SZSE (stock code: 300334)			
	Transaction:	Sale and purchase of 100% equity interest in the target company			
	Consideration:	RMB112.5 million in cash			
	Principal business of the target company:	Environmental technology development and services, sales of water and wastewater treatment equipment, ultrafiltration and microfiltration membranes, and membrane components			

Date	Transaction details		Implied value of 100% equity interest of the target company based on the consideration (Note 1) RMB'million	Net profit/(loss) of the target company for the latest full financial year as at the date of announcement of the transaction RMB'million	Implied P/E multiple Times
May 2022	Target company:	福建龍淨環保股份有限公司	11,546.6	860.3	13.4
	Buyer(s):	紫金礦業集團股份有限公司, a company listed on the SHSE (stock code: 601899)			
	Seller(s):	龍淨實業投資集團有限公司 as to 10.20%; 西藏陽光瑞澤實業有限公司 as to 2.81%; and 西藏陽光泓瑞工貿有限公司 as to 2.01% equity interest			
	Transaction:	Sale and purchase of 15.02% equity interest in the target company			
	Consideration:	RMB1,734.3 million in cash			
	Principal business of the target company:	Integrated ecological environment management solutions and comprehensive new energy services			
				Maximum	**27.4**
				Average	**14.1**
				Median	**13.4**
				Minimum	**6.7**

Source: Public filings of listed companies on the SZSE and SHSE

Notes:

1. Calculated as (i) the consideration in respect of the equity interest being bought and sold; divided by (ii) the percentage equity interest being bought and sold.

2. This represents the appraised value of the subject equity, as appraised by a professional valuer and disclosed in the announcement of the buyer, 錢江水利開發股份有限公司, dated 4 June 2024 in respect of the transaction, which was published on the SHSE. No consideration was disclosed in said announcement.

3. Under a normal distribution, approximately 95% of the values fall within the range of two standard deviations from the average. Accordingly, the implied P/E multiple of 51.1 times in respect of the acquisition of 100% of 東營膜天膜環保科技有限公司 exceeded two standard deviations from the average implied P/E multiple of the above Comparable Transactions and was considered to be an outlier and excluded from the Company's analysis in order to avoid the distortion of the results.

Having considered (i) the above Selection Basis; and (ii) that the Comparable Transactions are, to the best knowledge, information and belief of the Directors, exhaustive on such basis, the Directors consider that the Comparable Transactions are fair and reasonable references for the Company's internal analysis and commercial negotiations with the Vendors. Having also considered that each of the EV Thresholds are below the implied 100% valuation of the Target Company based on the Valuation of 60% equity interest in the Target Company, as mentioned above, the Directors considered that the EV Thresholds are fair and reasonable.

Adjustment mechanism

1. Maximum profit case

In the event that the Actual Profit for the Performance Period is equal to or more than the maximum PG Threshold of RMB300,000,000 (equivalent to approximately HK$330.0 million):

(i) the Agreed Equity Value will be determined as the maximum EV Threshold of RMB640,000,000 (equivalent to approximately HK$704.0 million);

(ii) the Consideration, calculated as 60% of the Agreed Equity Value determined according to (i) above, shall be RMB384,000,000 (equivalent to approximately HK$422.4 million), i.e. the maximum Consideration;

(iii) the Contingent Consideration, calculated as the difference between the Consideration determined according to (ii) above and the Initial Consideration, shall be RMB96,000,000 (equivalent to approximately HK$105.6 million), i.e. the maximum Contingent Consideration; and

(iv) the Refund shall be nil.

2. Upside profit case

In the event that the Actual Profit for the Performance Period is (a) more than the base PG Threshold of RMB180,000,000 (equivalent to approximately HK$198.0 million); and (b) less than the maximum PG Threshold of RMB300,000,000 (equivalent to approximately HK$330.0 million):

(i) the Agreed Equity Value will be determined in accordance with the following formulas:

$$A = (\textit{Maximum EV Threshold} - \textit{Based EV Threshold}) \times \frac{\textit{Actual Profit} - \textit{Based PG Threshold}}{\textit{Maximum PG Threshold} - \textit{Based PG Threshold}}$$

and,

$$\textit{Agreed Equity Value} = \textit{Based EV Threshold} + A$$

(ii) the Consideration is calculated as 60% of the Agreed Equity Value determined according to (i) above;

(iii) the Contingent Consideration is calculated as the difference between the Consideration determined according to (ii) above and the Initial Consideration; and

(iv) the Refund shall be nil.

3. Base profit case

In the event that the Actual Profit for the Performance Period is equal to the base PG Threshold of RMB180,000,000 (equivalent to approximately HK$198.0 million):

(i) the Agreed Equity Value shall be equivalent to the based EV Threshold;

(ii) the Consideration is calculated as 60% of the Agreed Equity Value determined according to (i) above, i.e. the Initial Consideration; and

(iii) given the Consideration determined according to (ii) above shall be equivalent to the Initial Consideration, the Contingent Consideration and the Refund shall be nil.

4. Downside profit case

In the event that the Actual Profit for the Performance Period is (a) less than the base PG Threshold of RMB180,000,000 (equivalent to approximately HK$198.0 million); and (b) more than the minimum PG Threshold of RMB150,000,000 (equivalent to approximately HK$165.0 million),

(i) the Agreed Equity Value will be determined in accordance with the following formulas:

$$A = (\textit{Based EV Threshold} - \textit{Minimum EV Threshold}) \times \frac{\textit{Based PG Threshold} - \textit{Actual Profit}}{\textit{Based PG Threshold} - \textit{Minimum PG Threshold}}$$

and,

$$\textit{Agreed Equity Value} = \textit{Based EV Threshold} - A$$

(ii) the Consideration is calculated as 60% of the Agreed Equity Value determined according to (i) above;

(iii) the Refund is calculated as the difference between the Initial Consideration and the Consideration determined according to (ii) above; and

(iv) the Contingent Consideration shall be nil.

5. Minimum profit case

In the event that the Actual Profit for the Performance Period is equal to or less than the minimum PG Threshold of RMB150,000,000 (equivalent to approximately HK$165.0 million) (including if the Target Company records net loss):

(i) the Agreed Equity Value will be determined as the minimum EV Threshold of RMB424,000,000 (equivalent to approximately HK$466.4 million);

(ii) the Consideration, calculated as 60% of the Agreed Equity Value determined according to (i) above, shall be RMB254,400,000 (equivalent to approximately HK$279.8 million), i.e. the minimum Consideration;

(iii) the Refund, calculated as the difference between the Initial Consideration and the Consideration determined according to (ii) above, shall be RMB33,600,000 (equivalent to approximately HK$37.0 million), i.e. the maximum Refund; and

(iv) the Contingent Consideration shall be nil.

As the Vendor A shall, pursuant to the terms of the Acquisition Agreement as set out in the paragraph headed "*Non-competition and retention of key personnel*" below, remain as one of the key management of the Target Group, the Refund and Contingent Consideration arrangements serve as incentive for the Vendor A to assist the Target Company to achieve the based PG Threshold of RMB180 million and the maximum PG Threshold of RMB300 million, respectively.

The Purchaser shall, within 120 days after the expiration of the Performance Period, arrange for the audit of the financial results of the Target Group for the Performance Period in accordance with the HKFRS Accounting Standards, and calculate the Actual Profit for determining the amount of the Contingent Consideration or the Refund (the "**Audit Procedures**").

If the Purchaser shall pay to the Vendors any Contingent Consideration, such amount of the Contingent Consideration shall be payable in cash within 10 Business Days upon the issuance of the aforementioned audit report and the Vendors having provided the tax payment certificate, and 70% of the Contingent Consideration will be settled by the Bank Loan obtained by the Purchaser for the purpose of the Acquisition with the remaining 30% will be settled by the internal resources of the Group.

If the Vendors shall pay to the Purchaser any Refund, such amount of the Refund shall be payable in cash within 10 days after the Purchaser issuing a written notice specifying the amount of the Refund. If the Vendors fail to pay the full amount of the Refund within 30 days of the written notice, the Purchaser shall have the right to require the Target Company to pay directly to the Purchaser such equivalent amount of dividend that may be distributed by the Target Company to WFOE to set off the outstanding amount of the Refund. If such amount of dividend that may be distributed to WFOE is not sufficient to set off such outstanding amount of the Refund, the Purchaser shall have the right to require WFOE to transfer equity interests in the Target Company held by WFOE with fair value equivalent to the shortfall, until the shortfall has been made up (the "**Potential Transfer**"). An independent qualified valuer acceptable to the Purchaser and the Vendors shall be appointed to assess the fair value of the Target Company at the time of the Potential Transfer. The Purchaser shall only be required to pay nominal consideration of RMB1.0 (equivalent to HK$1.1) to WFOE for the Potential Transfer. For the avoidance of doubt, the Potential Transfer shall only be conducted in compliance with the applicable laws, rules and regulations (including the Listing Rules). The Company has obtained confirmation from its PRC legal advisers that the (i) set-off of the Refund with dividends that may be distributed by the Target Company to WFOE; and (ii) the nominal consideration of RMB1.0 for the Potential Transfer, as set out above, are allowed under the relevant laws and regulations of the PRC and comply with the articles and dividend policy of each of the Target Company and the WFOE.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors taking into account (i) the historical financial performance of the Target Group; (ii) the Agreed Equity Value and EV Thresholds; (iii) the Profit Guarantee and PG Thresholds; (iv) the Valuation of the Target Group compiled by the Valuer using the market approach; (v) the payment terms of the Consideration; and (vi) the opportunity for the Group to diversify its business into the field of chemical vapours capture and treatment as further discussed in the section headed "*Reasons for and benefits of the Acquisition*" below.

The Valuation of 60% equity interest in the Target Group as at the Valuation Date is RMB386,000,000 (equivalent to approximately HK$424.6 million). Details of the Valuation are set out in the section headed "*Valuation*" below. The Initial Consideration of RMB288,000,000 (equivalent to approximately HK$316.8 million), the maximum amount of the Consideration of RMB384,000,000 (equivalent to approximately HK$422.4 million) and the minimum amount of the Consideration of RMB254,400,000 (equivalent to approximately HK$279.8 million) represents discounts of about 25.4%, 0.5% and 34.1%, respectively, to the Valuation. The Valuation Report, which contains details of the methodology and assumptions of the Valuation, is set out in Appendix V to this circular.

Having considered the above, including but not limited to the Initial Consideration, maximum amount of the Consideration and minimum amount of the Consideration all represent discounts to the Valuation, which means the Company is acquiring the equity interest in the Target Company at below market value, resulting in less cash outlay to the Group, the Board is of the view that the Consideration (including the Initial Consideration) is fair and reasonable.

Excess Profit Dividend

Upon the expiration of the Performance Period, if the Actual Profit exceeds RMB300 million (equivalent to approximately HK$330.0 million), WFOE shall have the right to require the Target Company to distribute a cash dividend (the "**Excess Profit Dividend**") from the Target Company's profits that meets the current requirements for profit distribution under the Company Law of the PRC, subject to the Target Company having the necessary cash levels to support its normal operation and development after the said dividend, within 10 Business Days after the completion of the Audit Procedures. The Excess Profit Dividend shall be calculated as 30% of the excess profit of which the Actual Profit exceeds RMB300 million (equivalent to approximately HK$330.0 million). For the purpose of this calculation, the amount of the excess profit shall be capped at a maximum of RMB300 million (equivalent to approximately HK$330.0 million). The Company confirms that the Excess Profit Dividend is in compliance with the dividend policies of the Company, and has obtained confirmation from its PRC legal advisers that the Excess Profit Dividend is in compliance with the dividend policies of the Target Company.

For the avoidance of doubt, the Excess Profit Dividend is separate to the Consideration (including the Contingent Consideration). As mentioned above, the Contingent Consideration serves as incentive for the Vendor A to assist the Target Company to achieve up to RMB300 million in Actual Profit. Similarly, the Excess Profit Dividend serves as further incentive for the Vendor A to assist the Target Group to achieve greater Actual Profit. Having considered the above, including that the Excess Profit Dividend serves as incentive for the Vendor A to assist the Target Company in improving its profitability without causing any immediate cash outflow to the Group and will only be paid upon the Target Company meeting such profit target, the Directors are of the view that the Excess Profit Dividend is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following Conditions:

(i) the transaction documents relating to the Acquisition having been duly signed by all parties and having become effective, and the signed transaction documents relating to the Acquisition having been delivered to the Purchaser;

(ii) no restrictions, obstacles, or prohibitions relating to the Acquisition involving the Vendors having been raised or imposed by any government authority;

(iii) no government agency having issued, enacted, consented to, or approved any laws, regulations, rules, normative documents, judicial orders, or administrative orders that prohibit the Acquisition (or result in such prohibition) or render the Acquisition illegal;

(iv) (a) the representations and warranties made by the Target Company and the Vendors being true and accurate when made, and remaining true and accurate on the date of Completion and having the same force and effect as if made on the date of Completion; and (b) the commitments and undertakings to be performed by the Target Group and/or the Vendors on or before the date of Completion having been duly performed;

(v) the registered capital of the Target Company having been fully paid up, and any taxes and fees arising from the actual payment (if any) are being borne by the existing shareholders of the Target Company; and the Sale Shares being free from any arrangements such as shareholder rights and interests held on behalf of others, trusts, or similar arrangements, and being free from pledge or other encumbrances, and there being no disputes with related parties concerning the Sale Shares;

(vi) from the Lock-Box Date to the date of Completion, there being no event or events that have a material adverse effect on the Target Group, nor there being any evidence indicating that such event(s) which could cause a material adverse effect will occur;

(vii) (a) all parties having obtained all necessary approvals, consents, or exemptions (if required) from government authorities and other relevant entities (including but not limited to the Acquisition having complied with the Listing Rules and the requirements of the Stock Exchange (including obtaining the Written Approval)), and all required notices to government authorities and/or other entities having been issued (if required), and such approvals, consents, exemptions, and notices remaining fully effective, including that the Target Group having obtained prior consents from the contractual counterparties under their ongoing contracts as required for the Acquisition; (b) the Vendors and the Target Company having completed all external procedures related to the Acquisition, including government registration changes with the relevant authorities and the Vendors' tax declaration and withholding obligations; and (c) a full set of application and supporting documents evidencing completion of such external procedures by the Vendors and the Target Company having been delivered to the Purchaser, including but not limited to the industrial and commercial registration change notification and the Vendors' tax payment certificates;

(viii) the relevant resolutions by the board of directors and the shareholders of the Target Company having been passed: (a) the Target Company having approved the signing and performance of the Acquisition Agreement; (b) the existing shareholders of the Target Company having given written consent to waive the special shareholder rights related to the Acquisition, including but not limited to pre-emptive rights and other rights triggered or potentially triggered by the Acquisition; (c) the new articles of association and new shareholder agreement having been approved; (d) the Purchaser's nominees having been appointed as new directors of the Target Company, and whose appointment shall take effect on the date of Completion and constitute a majority of all the board of directors of the Target Company; and (e) the Purchaser's nominees having been appointed as new senior management of the Target Company, and whose appointment shall take effect on or before the date of Completion;

(ix) the Vendors and the Target Group having completed the internal reorganisation for the purpose of the Acquisition, and the Purchaser being satisfied with such internal reorganisation;

(x) the Purchaser having completed due diligence on the Target Group's business, legal, and financial aspects, and having been satisfied with the results thereof;

(xi) the Target Company and the Vendors having provided to the Purchaser a confirmation letter of satisfaction of the conditions for the first payment of the Initial Consideration in the format and content as specified in the Acquisition Agreement;

(xii) the Target Company and the Vendors having provided to the Purchaser a confirmation letter of satisfaction of the Conditions in the format and content as specified in the Acquisition Agreement;

(xiii) (a) the representations and warranties made by the Purchaser being true and accurate when made, and remaining true and accurate on the date of Completion and having the same force and effect as if made on the date of Completion; and (b) the commitments and undertakings to be performed by the Purchaser on or before the date of Completion having been duly performed; and

(xiv) the Purchaser having provided to the Vendors a confirmation letter of satisfaction of the Conditions in the format and content as specified in the Acquisition Agreement.

Conditions (iv) to (xii) above are capable of being waived by the Purchaser in writing (save for the Acquisition having complied with the Listing Rules and the requirements of the Stock Exchange (including obtaining the Written Approval) as set out in Condition (vii) which are not waivable). Conditions (xiii) to (xiv) are capable of being waived by the Vendors in writing.

If any of the Conditions is not fulfilled or waived (as the case may be) on or before 31 December 2025 or such other date as may be agreed between the Purchaser and the Vendors in writing due to reasons other than that causing by the Purchaser, the Purchaser shall have the right to notify the Target Company and the Vendors in writing to terminate the Acquisition Agreement.

If any of the Conditions is not fulfilled or waived (as the case may be) on or before 31 December 2025 or such other date as may be agreed between the Purchaser and the Vendors in writing due to reasons causing by the Purchaser, the Vendors shall have the right to notify the Target Company and the Purchaser in writing to terminate the Acquisition Agreement.

As at the Latest Practicable Date, Condition (i), (ix), (x) and (xi) above have been fulfilled and regarding Condition (v), the registered capital of the Target Company has been fully paid up.

Completion

Completion shall take place within 10 Business Day after the date of which the above Conditions are fulfilled or waived (as the case may be) or such other date as may be agreed in writing between the Purchaser and the Vendors.

Pre-Completion dividends

The Purchaser confirms that the Target Group has arranged to declare and pay pre-Completion dividends (the "**Pre-Completion Dividends**") to the existing shareholders prior to Completion. The Pre-Completion Dividends shall not exceed RMB113,340,000 (equivalent to approximately HK$124,674,000), comprising (i) dividends distributed and to be distributed to the Vendors of no more than RMB80,000,000 (equivalent to approximately HK$88,000,000); and (ii) dividends to be distributed to WFOE of RMB33,340,000 (equivalent to approximately HK$36,674,000). As at the date of the Acquisition Agreement, Pre-Completion Dividends amounting to approximately RMB55,030,000 (equivalent to approximately HK$60,533,000) have already been distributed to the Vendors.

The Purchaser has agreed to the above arrangement in respect of the Pre-Completion Dividends, subject to (i) compliance with relevant laws and regulations; (ii) the Target Company and such relevant subsidiary(ies) which shall declare and pay the Pre-Completion Dividends having provided the relevant dividend resolution document(s) to the Purchaser; and (iii) the Target Company maintaining the necessary cash levels, being RMB33 million (equivalent to approximately HK$36.3 million), for its normal operation.

The Directors have considered the Pre-Completion Dividends in their assessment of the transactions contemplated under the Acquisition Agreement, including (i) the Consideration; (ii) the Valuation, which was arrived at after taking into account the Pre-Completion Dividends as set out in the section headed "*Adopted Parameters of Valuation*" on page V-18 of the Valuation Report in Appendix V to this Circular; and (iii) having considered that the Pre-Completion Dividends arise from the distributable profits generated from historical business activities of the Target Group under the Vendors, are of the view that they are fair and reasonable. Furthermore, the Consideration, as set out in the paragraph headed "*Consideration*" above, is based on the Agreed Equity Value of the Target Company, which in turn is based on (i) the internal analysis of the Company on the P/E ratios of comparable transactions in the PRC for which public data was available; and (ii) the based, maximum and minimum expected net profit of the Target Group during the Performance Period as indicated by the Vendors, and therefore not directly affected by the declaration or distribution of the Pre-Completion Dividends.

The Pre-Completion Dividends of (i) approximately RMB24,970,000 (equivalent to approximately HK$27.5 million) are expected to be distributed to the Vendors on or before 31 December 2025; and (ii) approximately RMB33,340,000 (equivalent to approximately HK$36.7 million) are expected to be distributed to the WFOE on or before 30 June 2026.

Non-competition and retention of key personnel

The Target Company and the Vendors have jointly and severally undertaken that, among others,

(i) unless agreed by the Purchaser and the Vendors, the senior management personnel of the Target Group, core technical staff, and other employees who play an important role in the Target Group, and their respective related parties or connected persons, shall not, in any way, directly or indirectly, engage in or invest in any business, entity, or operation that competes with, is similar to, or is of the same nature as the Target Group's business for three years from the date of Completion;

(ii) unless agreed by the Purchaser, Vendor A and Mr. Hu Xiaopeng (胡小鵬), the manager of the Target Group and the son-in-law of the Vendors, shall, and the Vendor A and WFOE shall ensure that Mr. Hu Xiaopeng, continue to serve full-time at the Target Group in the same capacity and with the same or substantially the same responsibilities as before Completion for three years from the date of Completion; and

(iii) In the case where (i) WFOE or its ultimate beneficial owners (i.e. Vendor A and Vendor B); (ii) the Purchaser; or (iii) any of their related parties or connected persons, directly or indirectly hold the equity interests in the Target Company or serve as a senior management, key technical staff, director or who substantively enjoys the rights of a shareholder of the Target Company, the Purchaser and WFOE shall each ensure that their respective de facto controlling shareholder, controlling shareholder and respective related parties or connected persons, do not engage in any business that is the same as, is similar to, or constitute substantial competition with the Target Group's principal business, in any form (including but not limited to investing in or holding interests in competing companies, serving in their positions or providing services, signing cooperation or agency agreements with them, or in any way engaging in or supporting the competitive activities). Despite the aforementioned clauses, Mr. Hu Xiaopeng shall, and the Vendor A and WFOE shall ensure that Mr. Hu Xiaopeng, unconditionally and indefinitely comply with the above non-competition obligations after Completion (i.e. regardless of whether Mr. Hu Xiaopeng holds any position or hold any equity interest in the Target Company). If any party breaches the aforementioned non-competition clauses, the non-breaching party shall have the right to require the breaching party or its connected persons to sell all or part of the equity interest held by them in the competing companies at a consideration of RMB1 to a party that is not competing and designated by the non-breaching party (the "**Transferee**"). In such case, all the profits since the establishment of such competing companies (including but not limited to distributable profits, capital reserves and asset appreciation) shall belong to the Transferee.

THE SHAREHOLDERS AGREEMENT

Upon Completion, the Purchaser, the Vendors, WFOE and the Target Company shall enter into the Shareholders Agreement to define and regulate the rights and obligations of the shareholders of the Target Company following Completion.

First right of subscription

If the Target Company intends to increase its registered capital through subscription by third party(ies), the shareholders of the Target Company shall have the first right, but not the obligation, to subscribe for the proposed additional registered capital, in proportion to their shareholding in the Target Company. If the proposed additional registered capital is not fully subscribed by the shareholders, the third party(ies) shall have the right to subscribe for the remaining additional registered capital.

First right of acquisition and tag-along right

If any shareholder of the Target Company intends to sell, transfer or otherwise dispose of all or part of the equity interests held directly or indirectly by it in the Target Company, the other shareholder shall have the first right, but not the obligation, to purchase such equity interests at the same price and conditions.

If any shareholder of the Target Company intends to sell, transfer or otherwise dispose of all or part of the equity interests held directly or indirectly by it in the Target Company, and the other shareholder does not exercise its rights to purchase such equity interests, the other shareholder shall otherwise have the right, but not the obligation, to sell, transfer or otherwise dispose of all or part of the equity interests in the Target Company at the same time on the same terms and conditions as the selling shareholder offered to the third party buyer. The selling shareholder shall be obligated to procure the third party buyer to purchase the equity interests to be sold, transferred or otherwise disposed of by the tag-along shareholder on the same price, terms and conditions.

Drag-along right

Upon receiving an offer from a third party buyer, the Purchaser shall have the right, but not the obligation, to require WFOE to jointly sell its direct and/or indirect equity interest in the Target Company until the third party buyer's acquisition requirements are fulfilled. WFOE shall agree to such sale and sell its and/or indirect equity interest to the third party buyer at the same price and conditions as the Purchaser. For the avoidance of doubt, such transactions must remain in compliance with the Listing Rules and other applicable laws and regulations.

Profit distribution right

Upon Completion, save as stipulated under the Acquisition Agreement, all accumulated undistributed profits realised by the Target Group as of the date of Completion shall be shared by all shareholders in proportion to their shareholding in the Target Company.

The board of directors of the Target Company shall be responsible for formulating the profit distribution proposal, which shall be approved by the shareholders of the Target Company representing a majority of the voting rights of the Target Company.

Lock-up period

For a period from the date of Completion to the expiration of the Performance Period, save for adjustments of the equity interests held by WFOE among Vendors and their family members (including their daughter and Mr. Hu Xiaopeng), each of the Purchaser and the ultimate beneficial owners of WFOE (i.e. Vendor A and Vendor B) shall not directly or indirectly transfer, donate, pledge, create rights or encumbrances over, or otherwise dispose of the equity interest in the Target Company held by them to any third party other than the parties or their respective related parties. If the Purchaser or WFOE reaches a legally binding agreement or arrangement for the transfer or disposal of its equity interest with a third party, the non-breaching party shall have the pre-emptive right to acquire all such equity interest at a nominal consideration of RMB1 (equivalent to approximately HK$1.1), regardless of the price and/or conditions for the transfer or disposal of such equity interest which may have been agreed by the breaching party and the third party.

Non-competition

In the case where (i) WFOE or its de facto controlling shareholder (i.e. Vendor A); (ii) the Purchaser; or (iii) any of their related parties or connected persons, directly or indirectly hold the equity interests in the Target Company or serve as a senior management, key technical staff, director or who substantively enjoys the rights of a shareholder of the Target Company, the Purchaser and WFOE shall each ensure that their respective de facto controlling shareholder, controlling shareholder and respective related parties or connected persons, do not engage in any business that is the same as, is similar to, or constitute substantial competition with the Target Group's principal business, in any form (including but not limited to investing in or holding interests in competing companies, serving in their positions or providing services, signing cooperation or agency agreements with them, or in any way engaging in or supporting the competitive activities) within or outside the PRC.

Shareholders' meetings

A shareholders' meeting of the Target Company may be held only if shareholders representing at least half of all voting rights are in attendance. If the minimum number of voting rights is not met, any resolution passed will be invalid.

Board composition and meetings

The board of directors of the Target Company shall consist of five directors. The Purchaser shall have the right to nominate three directors (including one who shall serve as chairman) and WFOE shall have the right to nominate two directors.

A board meeting may be held only if more than half of the directors are present. If the minimum quorum is not met, any resolution passed shall be invalid.

Supervisor

The Target Company shall not have a board of supervisors; but shall have one supervisor appointed by the Purchaser. Directors and senior management of the Target Company shall not concurrently serve as a supervisor.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in the manufacture of and trading in coatings, inks and lubricants and properties investment and holding.

The Purchaser is Yip's Puricycle Management (Shenzhen) Company Limited# (葉氏清源管理(深圳)有限公司), which was established on 2 April 2025 under the laws of the PRC with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

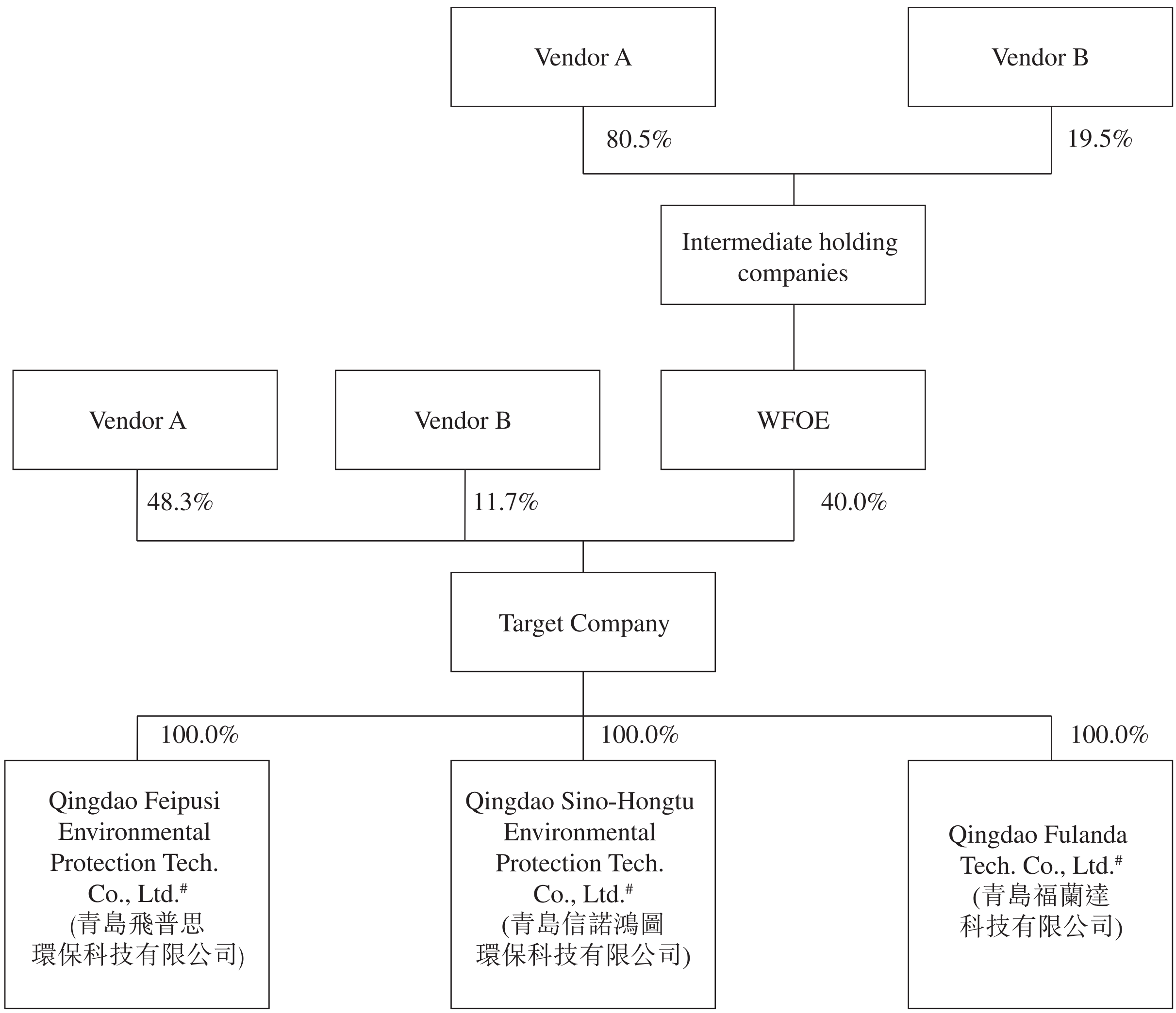
INFORMATION OF THE TARGET GROUP

Corporate information

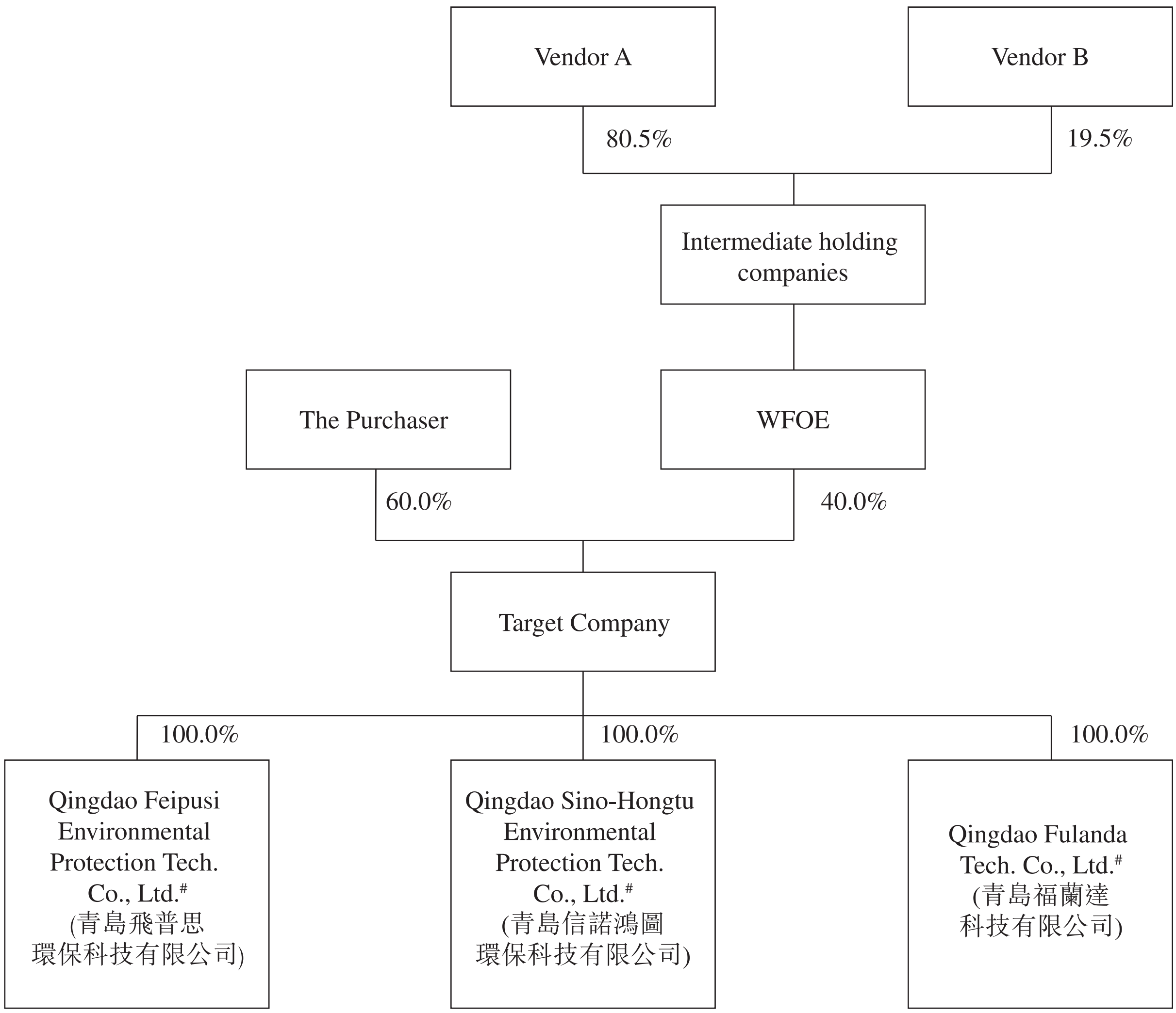
The Target Company was established on 30 January 2008 under the laws of the PRC with limited liability. As at the date of the Acquisition Agreement, the total registered capital of the Target Company amounts to RMB83.34 million, of which (a) RMB40.25 million, or approximately 48.3%, is owned by Vendor A; (b) RMB9.75 million, or approximately 11.7%, is owned by Vendor B; and (c) RMB33.34 million, or approximately 40.0%, is owned by WFOE.

Shareholding structure of the Target Group

Set out below is the simplified shareholding structure of the Target Group immediately following the internal reorganisation and prior to Completion:



Set out below is the simplified shareholding structure of the Target Group immediately following Completion:



Business

The Target Company is a national high-tech enterprise and the Target Group is principally engaged in the research, design, manufacturing, and provision of specialised systems solutions for managing chemical vapours emissions generated during the production, storage and transportation of chemicals, oil and gas.

The Target Group holds more than 10 patents and 20 software copyrights covering a wide range of chemical vapours capture and treatment technologies. These technologies are extensively used in managing chemical vapours emissions across industries including petrochemical, coal chemical, oil depot, and shipping terminal sectors.

The Target Group provides integrated solutions encompassing equipment, monitoring, and control systems designed to enhance chemical vapours capture efficiency and reduce emissions. Its services include engineering design, manufacturing, and technical support to ensure operational reliability and compliance with environmental regulations. Its technologies support efforts to minimise industrial emissions and improve resource utilisation in the sectors it serves.

Financial information

Set out below is the key financial information of the Target Group extracted from its unaudited combined management accounts which were prepared in accordance with the HKFRS Accounting Standards:

	For the year ended 31 December	
	2024	**2023**
	HK$ million	*HK$ million*
Revenue	266.2	202.7
Profit before taxation	68.3	63.0
Profit after taxation	60.3	55.1

As at 30 June 2025, the unaudited combined net assets of the Target Group amounted to approximately HK$228.0 million.

VALUATION

The Company engaged BMI Appraisals Limited as the Valuer to conduct the Valuation of 60% equity interest in the Target Group as at the Valuation Date for the purpose of the Acquisition. The Valuation has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

The Valuer has preliminarily assessed the market value of 60% equity interest in the Target Group as at the Valuation Date to be RMB386,000,000 (equivalent to approximately HK$424.6 million).

Basis and key assumptions

The Valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

In conducting the Valuation, the Valuer has adopted certain assumptions which are set out in the Valuation Report in Appendix V to this circular in respect of, among others, the Acquisition to be sent by the Company to its Shareholders. The key assumptions adopted by the Valuer are extracted below:

- there will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Group is currently or will be situated;

- there will be no material change in the taxation laws and regulations in the jurisdiction where the Target Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

- the market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;

- the supply and demand, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

- the market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

- the products and/or services of the Target Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Group or similar products and/or services;

- the market data, industry information and statistical figures obtained from publicly available sources are true and accurate;

- all licenses, permits, certificates and consents issued by any local, provincial or national government or other authorised entity or organisation that will affect the operation of the Target Group have been obtained or can be obtained upon request with an immaterial cost;

- the core operation of the Target Group will not differ materially from those of present or expected;

- the financial and operational information in respect of the Target Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;

- the Target Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Group;

- the Target Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and/or working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- the senior management of the Target Group will implement only those prospective financial and operational strategies that will maximise the efficiency of the operation of the Target Group;

- the senior management of the Target Group has sufficient knowledge and experience in respect of the operation of the Target Group, and the turnover of any director, management or key person will not affect the operation of the Target Group;

- the senior management of the Target Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Group; and

- the senior management of the Target Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Group.

Valuation approach

The following generally accepted valuation approaches have been considered in the course of the Valuation, being (i) the income approach; (ii) the cost approach; and (iii) the market approach. The Valuer has considered the following:

(i) the income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The income approach was considered inappropriate as it heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value;

(ii) the cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset. The cost approach was considered inappropriate as the replication cost of the Target Group may not represent the value of the Target Group; and

(iii) the market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. The market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

Under the market approach, the guideline company method was adopted in the valuation. The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset, with adjustments of control premium and discount for lack of marketability if applicable. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to the Target Group were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

View of the Directors

The Directors have reviewed the valuation methodologies, key assumptions and parameters adopted by the Valuer in arriving at the Valuation, and are satisfied that they are fair and reasonable.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company shall be owned as to approximately 60.0% by the Purchaser and approximately 40.0% by WFOE, respectively. Members of the Target Group will become indirect non-wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

Earnings

The audited net profit after tax of the Group attributable to equity shareholders of the Company for the year ended 31 December 2024, as disclosed in the annual report of the Company for the year ended 31 December 2024, was approximately HK$96,882,000.

As set out in Appendix II to this circular, the Target Group recorded a total comprehensive income of approximately HK$53,898,000 for the year ended 31 December 2024.

The Directors consider that the Acquisition will bring positive contributions to the earnings of the Enlarged Group depending on the future performance of the Target Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had taken place on 30 June 2025, the Group's total assets would increase from approximately HK$6,128,240,000 to approximately HK$6,533,899,000 and total liabilities would increase from approximately HK$2,187,936,000 to approximately HK$2,426,932,000, resulting in the increase of the Group's total consolidated net assets of approximately HK$3,940,304,000 to approximately HK$4,106,967,000.

Further details of the financial effects of the Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As part of the goal to become a leading development platform for chemical businesses and drive future growth, the Group has been looking for expansion opportunities beyond its current core businesses, particularly in areas that improve the environment and chemicals related to new energy sectors. At the same time, the targeted opportunities must also create synergies with the Group's core competencies and support long-term development.

The Acquisition supports this goal by enabling the Group to expand into a growing market for the management of emissions of chemical vapours generated during the production, storage and transportation of chemicals, oil and gas. With the Chinese government actively promoting industrial emissions reduction policies and strengthening support through environmental regulations, the demand for environmental solutions is expected to grow steadily, presenting significant market potential.

The Target Group is a leading enterprise in the PRC engaged in the research, design, manufacturing and provision of specialised systems solutions for managing chemical vapours emissions generated during the production, storage and transportation of chemicals, oil and gas. This allows customers to benefit from the economic value of the otherwise wasted vapours and from more environmentally friendly processes that are in line with increasingly stringent environmental regulations. The Target Group's technologies have received industry recognition, and its installations have been used at the sites of a strong client base that includes reputable energy companies, major local and multinational chemical companies, and state-owned enterprises in the PRC.

Vendor A, the founder of the Target Group, brings extensive industry experience. Together with other senior management and the research and development team, the Target Group has cultivated deep expertise in this field over the years and established solid technological barriers. It holds more than 10 patents and 20 software copyrights and has made technological progress in chemical vapours capture and treatment.

The Group believes that the Target Group is well positioned in the chemical emissions management sector, and will continue to grow with support from government policies and environmental regulations in the PRC aimed at reducing industrial emissions. At the same time, a growing base of customers will be attracted to the inherit economic benefits for investing in the Target Group's products and services. The Group will continue to drive growth for the Target Group by improving its management systems to increase efficiencies as well as providing new business development opportunities through the Group's existing upstream supplier network and expanding into overseas markets. At the same time, it will continue investing in research and development, enhancing and strengthening its technological advantage to further fortify its market position.

The Acquisition offers the Group an opportunity to diversify its income streams and creates long term growth and value for Shareholder by expanding into the specialised segment for the management of chemical vapours emissions. The Directors consider the Acquisition strategically aligns with the Group's objectives to enhance technological capabilities, enter niche markets within the chemical sector, and leverage increasing regulatory demand for environmental solutions.

Taking into account the above, the Directors consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable, and the Acquisition is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition (including the Potential Transfer) is more than 25% but all are less than 100%, the Acquisition (including the Potential Transfer) constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the Acquisition (including the Potential Transfer), none of the Directors is required to abstain from voting on the board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the Acquisition (including the Potential Transfer), and therefore no Shareholder is required to abstain from voting if a general meeting of the Company was to be convened to approve the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer).

Pursuant to Rule 14.44 of the Listing Rules, on the date of the Acquisition Agreement (i.e. 24 October 2025), the Company has obtained the Written Approval from the Closely Allied Group who are together interested in 304,259,445 Shares, representing approximately 54.48% of the issued share capital of the Company (excluding the treasury Shares) as at the Latest Practicable Date, to approve the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer), i.e. the Written Approval. As such, no general meeting of the Company will be convened for the purpose of approving the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer).

The Closely Allied Group comprise (i) Mr. Ip Chi Shing and his family members, namely (a) Mr. Yip Tsz Hin, the brother of Mr. Ip Chi Shing; (b) Ms. Ip Fung Kuen, the sister of Mr. Ip Chi Shing; (c) Mr. Ip Kwan, the son of Mr. Ip Chi Shing; and (d) Madam Yip Tso Ka Lai, Brenda, the spouse of Mr. Yip Tsz Hin; and (ii) companies controlled by them, namely (a) Ip Chi Shing Charitable Foundation Limited; and (b) Yip's Care Extension Foundation Limited.

Set out below is the shareholding of the Closely Allied Group in the Company as at the Latest Practicable Date:

Name of Shareholder	**No. of Shares held**	**Percentage of shareholding**
Mr. Ip Chi Shing *(Note 1)*	187,808,532	33.63%
Mr. Yip Tsz Hin *(Note 2)*	40,200,000	7.20%
Mr. Ip Kwan	26,869,000	4.81%
Ms. Ip Fung Kuen	49,381,913	8.84%
Total	304,259,445	54.48%

Notes:

1. Out of these Shares, 21,200,000 Shares are held by Ip Chi Shing Charitable Foundation Limited, a charitable organisation; and 5,304,000 Shares are held by Yip's Care Extension Foundation Limited, a limited company. Mr. Ip Chi Shing controls 50% (and together with his spouse, control 100%) and 60% (and together with his younger sister and brother, control 100%) of the voting power at the general meetings of Ip Chi Shing Charitable Foundation Limited and Yip's Care Extension Foundation Limited, respectively. He is therefore deemed to be interested in these Shares held by these two corporations under the SFO.

2. Out of these Shares, 13,000,000 Shares are held by Madam Yip Tso Ka Lai, Brenda, the spouse of Mr. Yip Tsz Hin.

RECOMMENDATION

Although no general meeting will be convened for approving the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer), the Directors, are of the view that the terms thereof and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer) are on normal commercial terms, fair and reasonable, in the interests of the Company and the Shareholders as a whole.

Accordingly, if the general meeting was convened for approving the Acquisition Agreement and transactions contemplated thereunder (including the Acquisition and the Potential Transfer), the Directors would recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the general meeting to approve the Acquisition Agreement and the transactions contemplated thereunder (including the Acquisition and the Potential Transfer).

WAIVERS GRANTED BY THE STOCK EXCHANGE

As additional time was required to prepare and finalise certain information included in this circular, the Company had applied for waivers from strict compliance with Rule 14.41(a) of the Listing Rules to extend the deadline for despatch of this circular to a date more than 15 business days after the publication of the announcement of the Company dated 24 October 2025. The Stock Exchange had granted such waivers to extend the deadline for despatch of this circular to 12 December 2025. For details of the relevant applications and waivers, please refer to the announcements of the Company dated 14 November 2025.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Yip's Chemical Holdings Limited
Ip Chi Shing
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for the three years ended 31 December 2022 ("**FY2022**"), 2023 ("**FY2023**") and 2024 ("**FY2024**") and the six months ended 30 June 2025 ("**HY2025**") have been published in the relevant annual reports and interim report of the Company, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yipschemical.com). The hyperlinks to the aforesaid annual reports and interim report are set out below:

(i) Annual report of the Company for FY2022 published on 24 April 2023 (pages 89 to 308): **https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400820.pdf**

(ii) Annual report of the Company for FY2023 published on 26 April 2024 (pages 99 to 296): **https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042601734.pdf**

(iii) Annual report of the Company for FY2024 published on 25 April 2025 (pages 101 to 296): **https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0425/2025042500583.pdf**

(iv) Interim report of the Company for HY2025 published on 12 September 2025 (pages 27 to 68): **https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0912/2025091200315.pdf**

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2025, being the latest practicable date for the sole purpose of determining this statement of indebtedness of the Enlarged Group prior to the date of this circular, the Enlarged Group had the total borrowings amounting to approximately HK$1,290,573,000 and details of which are as follows:

	HK$'000
Bank borrowings	
– Secured and guaranteed	13,103
– Secured and unguaranteed	114,069
– Unsecured and unguaranteed	1,157,157
Amounts due to related parties	
– Unsecured and unguaranteed	6,244
Total	1,290,573

Mortgage and Charges

As at 31 October 2025, the Enlarged Group's bank borrowings of approximately HK$127,172,000 in total were secured by certain banker's acceptance and certain property, plant and equipment of the Enlarged Group.

Lease liabilities

As at 31 October 2025, the Enlarged Group had lease liabilities of approximately HK$22,922,000 related to the lease of office premises, equipment and machinery in the PRC. The entire lease liabilities were unguaranteed. The lease liabilities of HK$13,832,000 were secured by rental deposits of the Enlarged Group and the remaining lease liabilities of HK$9,090,000 were unsecured.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 31 October 2025, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group including the available credit facilities, the Enlarged Group's internally generated funds and the cash flow impact of the Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular. The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that there had not been any material adverse change in the financial or trading position of the Group since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Target Group specialises in proprietary emissions control technologies that capture and treat chemical vapours generated during the production, storage and transportation of chemicals, oil and gas. These solutions enable customers to recover economic value from waste vapours while ensuring compliance with stringent environmental regulations. Recognised within the industry, the Target Group serves a strong customer base that includes major energy and chemical enterprises in the PRC. It is well-positioned for growth, benefiting from supportive government policies and rising demand driven by both environmental and economic incentives.

The Group has actively pursued investments in environmentally focused technologies and chemical innovations and the emerging new energy sector. This forward-looking strategy reflects the Group's long-term ambition to become a leading development platform for chemical businesses–one that champions sustainability, technological advancement, and trusted brands that enrich people's life.

The acquisition of the Target Group marks a pivotal milestone in Yip's Chemical's transformation journey. By integrating the Target Group's specialised expertise and environmentally focused solutions, Yip's Chemical accelerates its evolution into a future-ready chemical platform, fully aligned with its strategic vision and commitment to green innovation.

Upon Completion of the acquisition, the members of the Target Group will become indirect non-wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Group's core businesses have secured leading positions across China, supported by a comprehensive manufacturing and sales network that spans all major regions. By integrating the Target Group's advanced technologies and strong market presence with Yip's Chemical's robust upstream supplier network, the Enlarged Group is well positioned to unlock synergies that drive expansion both domestically and internationally.

To accelerate the Target Group's growth, the Group will enhance its operational efficiency through improved management systems and create new business opportunities by leveraging its established supplier relationships and global market reach. At the same time, it will seize opportunities on the rising demand for environmental solutions by continuing to invest in research and development, strengthening its technological edge and fortifying its leadership in the chemical industry.

The following is the text of the independent reporting accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Target Group's historical financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BEIJING SINO-HYPRO PETROCHEMICAL TECH. CO., LTD. AND THE TARGET GROUP TO THE DIRECTORS OF YIP'S CHEMICAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of 北京信諾海博石化科技發展有限公司 (the "**Target Company**"), and its subsidiaries, namely, 青島信諾鴻圖環保科技有限公司, 青島飛普思環保科技有限公司 and 青島福蘭達科技有限公司 (collectively referred to as the "**Target Group**") set out on pages II-5 to II-81, which comprises the combined statements of financial position of the Target Group as at 31 December 2022, 2023 and 2024 and 30 June 2025, the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024 and 30 June 2025, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for each of the three years ended 31 December 2024 and the six months ended 30 June 2025 (the "**Relevant Periods**") and material accounting policy information and other explanatory information (the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-81 forms an integral part of this report, which has been prepared for inclusion in the circular of Yip's Chemical Holdings Limited (the "**Company**") dated 12 December 2025 (the "**Circular**") in connection with the proposed major transaction in relation to acquisition of approximately 60.0% equity interest in the Target Company (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025, of the Target Company's financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the six months ended 30 June 2024 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company or other entities within the Target Group in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2025

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2022**	**2023**	**2024**	**2024**	**2025**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*6*	108,601	202,699	266,170	76,515	113,984
Cost of sales		(57,544)	(100,451)	(146,898)	(39,936)	(61,318)
Gross profit		51,057	102,248	119,272	36,579	52,666
Other income	*8*	6,860	9,093	8,436	6,999	2,823
Other gains and losses		(797)	(1,797)	(5,341)	(1,108)	(6,622)
Selling and distribution expenses		(6,975)	(30,136)	(37,335)	(16,584)	(6,854)
General and administrative expenses		(11,586)	(16,269)	(16,285)	(7,752)	(10,320)
Finance costs	*9*	(8)	(143)	(469)	(218)	(230)
Profit before taxation	*10*	38,551	62,996	68,278	17,916	31,463
Income tax expense	*11*	(5,092)	(7,889)	(7,950)	(1,934)	(5,086)
Profit for the year/period		33,459	55,107	60,328	15,982	26,377
Other comprehensive income:						
Item that will not be reclassified to profit or loss:						
Exchange differences on translation from functional currency to presentation currency		(6,251)	(1,630)	(6,430)	(4,075)	7,075
Other comprehensive (expense) income for the year/period		(6,251)	(1,630)	(6,430)	(4,075)	7,075
Total comprehensive income for the year/period		27,208	53,477	53,898	11,907	33,452
Profit for the year/period attributable to:						
– Controlling Shareholder (as defined in *Note 1*)		13,133	27,074	36,732	6,951	13,026
– Non-controlling interests		20,326	28,033	23,596	9,031	13,351
		33,459	55,107	60,328	15,982	26,377
Total comprehensive income for the year/period attributable to:						
– Controlling Shareholder		9,023	26,114	33,093	4,704	17,794
– Non-controlling interests		18,185	27,363	20,805	7,203	15,658
		27,208	53,477	53,898	11,907	33,452

COMBINED STATEMENTS OF FINANCIAL POSITION OF THE TARGET GROUP

	NOTES	As at 31 December 2022 HK$'000	As at 31 December 2023 HK$'000	As at 31 December 2024 HK$'000	As at 30 June 2025 HK$'000
Non-current assets					
Property, plant and equipment	15	2,331	34,722	36,231	36,604
Deferred tax assets	20	621	1,410	1,658	2,244
		2,952	36,132	37,889	38,848
Current assets					
Inventories	16	66,577	73,668	41,831	11,764
Trade receivables	17	81,439	103,666	116,256	144,373
Other debtors and prepayments	17	9,469	19,872	26,249	31,166
Contract costs	18	8,262	13,947	2,347	–
Contract assets	19	34,779	90,684	92,433	83,430
Amounts due from related parties	21	6,866	7,253	9,101	18,121
Bank balances and cash	22	41,754	7,611	20,846	35,488
		249,146	316,701	309,063	324,342
Current liabilities					
Creditors and accrued charges	23	73,920	117,920	72,670	53,304
Contract liabilities	24	84,585	72,857	50,082	10,320
Taxation payables		5,397	12,142	14,759	16,501
Amounts due to related parties	21	1,064	482	100	39,750
Lease liabilities	25	–	621	624	660
Borrowing – amount due within one year	26	–	137	647	902
		164,966	204,159	138,882	121,437
Net current assets		84,180	112,542	170,181	202,905
Total assets less current liabilities		87,132	148,674	208,070	241,753

		As at 31 December			As at 30 June
	NOTES	**2022**	**2023**	**2024**	**2025**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Lease liabilities	*25*	–	2,839	2,111	1,477
Borrowing – amount due after one year	*26*	–	5,225	11,452	12,268
Deferred tax liabilities	*20*	–	1	–	49
		–	8,065	13,563	13,794
Net assets		87,132	140,609	194,507	227,959
Capital and reserves					
Share capital	*27*	11,786	11,786	11,786	11,786
Reserves		40,216	66,330	99,423	176,736
Equity attributable to Controlling Shareholder		52,002	78,116	111,209	188,522
Non-controlling interests		35,130	62,493	83,298	39,437
Total equity		87,132	140,609	194,507	227,959

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December			As at 30 June
	NOTES	**2022**	**2023**	**2024**	**2025**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment		592	1,267	–	474
Deferred tax assets		98	244	932	1,549
		690	1,511	932	2,023
Current assets					
Inventories	*16*	54,034	70,667	41,332	6,354
Trade receivables	*17*	77,570	52,371	78,393	112,628
Other debtors and prepayments	*17*	6,549	7,655	7,107	3,814
Contract costs	*18*	6,833	13,947	2,347	–
Contract assets	*19*	31,361	74,786	64,229	66,522
Amounts due from related parties	*21*	6,866	7,251	8,051	17,031
Amounts due from other entities within the Target Group	*21*	3,099	37,278	34,663	33,141
Bank balances and cash	*22*	33,692	5,642	14,030	32,994
		220,004	269,597	250,152	272,484
Current liabilities					
Creditors and accrued charges	*23*	30,967	14,246	7,263	15,896
Contract liabilities	*24*	68,747	65,603	50,082	5,433
Taxation payables		5,365	11,152	11,596	14,967
Amounts due to related parties	*21*	414	–	–	39,658
Amounts due to other entities within the Target Group	*21*	48,938	69,218	40,444	23,718
		154,431	160,219	109,385	99,672
Net current assets		65,573	109,378	140,767	172,812
Total assets less liabilities		66,263	110,889	141,699	174,835
Capital and reserves					
Share capital	*27*	11,786	11,786	11,786	11,786
Reserves	*27*	54,477	99,103	129,913	163,049
Total equity		66,263	110,889	141,699	174,835

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Controlling Shareholder							
	Share capital	Translation reserve	Legal reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(note (i))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2022	11,786	446	3,869	–	24,412	40,513	16,945	57,458
Profit for the year	–	–	–	–	13,133	13,133	20,326	33,459
Exchange differences on translation from functional currency to presentation currency	–	(4,110)	–	–	–	(4,110)	(2,141)	(6,251)
Capital injection *(note (ii))*	–	–	–	2,466	–	2,466	–	2,466
Transfer	–	–	3,229	–	(3,229)	–	–	–
At 31 December 2022	11,786	(3,664)	7,098	2,466	34,316	52,002	35,130	87,132
Profit for the year	–	–	–	–	27,074	27,074	28,033	55,107
Exchange differences on translation from functional currency to presentation currency	–	(960)	–	–	–	(960)	(670)	(1,630)
Transfer	–	–	5,546	–	(5,546)	–	–	–
At 31 December 2023	11,786	(4,624)	12,644	2,466	55,844	78,116	62,493	140,609
Profit for the year	–	–	–	–	36,732	36,732	23,596	60,328
Exchange differences on translation from functional currency to presentation currency	–	(3,639)	–	–	–	(3,639)	(2,791)	(6,430)
Transfer	–	–	5,859	–	(5,859)	–	–	–
At 31 December 2024	11,786	(8,263)	18,503	2,466	86,717	111,209	83,298	194,507
Profit for the period	–	–	–	–	13,026	13,026	13,351	26,377
Exchange differences on translation from functional currency to presentation currency	–	4,768	–	–	–	4,768	2,307	7,075
Acquisition of partial interests in the Target Company *(note (iii))*	–	–	–	59,519	–	59,519	(59,519)	–
Transfer	–	–	3,133	–	(3,133)	–	–	–
At 30 June 2025	11,786	(3,495)	21,636	61,985	96,610	188,522	39,437	227,959
(Unaudited)								
At 1 January 2024	11,786	(4,624)	12,644	2,466	55,844	78,116	62,493	140,609
Profit for the period	–	–	–	–	6,951	6,951	9,031	15,982
Exchange differences on translation from functional currency to presentation currency	–	(2,247)	–	–	–	(2,247)	(1,828)	(4,075)
Transfer	–	–	1,630	–	(1,630)	–	–	–
At 30 June 2024	11,786	(6,871)	14,274	2,466	61,165	82,820	69,696	152,516

Notes:

(i) It represents the statutory surplus reserve of the entities in the Target Group operating in the People's Republic of China (the "PRC"). Pursuant to applicable PRC regulations, a PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfer to this reserve must be made before distribution of dividends to shareholders of the PRC entity. Upon approval by the relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the relevant PRC entity.

(ii) It represents a capital injection of RMB2,000,000 (equivalent to HK$2,466,000) by Mr. Zhang (as defined in Note 1) into Qingdao Feipusi (as defined in Note 2), an entity under common control of Mr. Zhang.

(iii) In March 2025, Mr. Zhang acquired additional 38% equity interests in the Target Company from the two non-controlling shareholders at a total consideration of RMB15,601,000 (equivalent to HK$16,886,000). The difference between the consideration paid by Mr. Zhang and the related carrying amount of non-controlling interests in the Target Company was recognised directly in equity as other reserve and attributable to the Controlling Shareholder.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	38,551	62,996	68,278	17,916	31,463
Adjustments for:					
Depreciation	938	1,702	1,950	1,007	372
Loss on disposal of property, plant and equipment	–	–	260	–	–
Impairment loss recognised on trade receivables, other debtors and contract assets under expected credit loss ("ECL") model, net of reversal	797	1,797	5,081	1,108	6,622
Finance costs	8	143	469	218	230
Interest income	(59)	(145)	(65)	(35)	(12)
Operating cash flow before movements in working capital	40,235	66,493	75,973	20,214	38,675
(Increase) decrease in inventories	(42,972)	(8,257)	31,207	(43,179)	31,882
Decrease (increase) in trade receivables and contract assets	7,762	(7,346)	27,076	104,113	(9,285)
Increase in other debtors and prepayments	(3,792)	(10,446)	(7,194)	(11,581)	(3,943)
(Increase) decrease in contract costs	(7,974)	(5,841)	11,326	(30)	2,384
Increase (decrease) in creditors and accrued charges	58,836	45,377	(42,062)	(69,471)	(21,452)
Increase (decrease) in contract liabilities	33,105	(10,293)	(20,534)	49,511	(40,736)
Cash generated from (used in) operations	85,200	69,687	75,792	49,577	(2,475)
PRC income tax refunded (paid)	1,082	(1,836)	(5,129)	(2,402)	(4,338)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	86,282	67,851	70,663	47,175	(6,813)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(1,369)	(30,122)	(8,505)	(6,610)	(475)
Acquisition of banker's acceptances	(67,789)	(74,768)	(54,092)	(35,452)	(9,155)
Advance to related parties	–	(506)	–	(222)	(11,309)
Repayment from related parties	46	–	103	–	2,750
NET CASH USED IN INVESTING ACTIVITIES	(69,112)	(105,396)	(62,494)	(42,284)	(18,189)

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
FINANCING ACTIVITIES					
Borrowing raised	–	5,374	7,408	5,723	998
Repayment of borrowing	–	–	(325)	–	(350)
Interest paid	(8)	(143)	(469)	(218)	(230)
Payment of lease liabilities	(520)	(617)	(611)	(611)	(680)
Advances from related parties	246	336	–	–	42,940
Repayment to related parties	(282)	(901)	(373)	(70)	(3,987)
Proceeds from capital injection	2,466	–	–	–	–
NET CASH FROM FINANCING ACTIVITIES	1,902	4,049	5,630	4,824	38,691
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,072	(33,496)	13,799	9,715	13,689
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	25,655	41,754	7,611	7,611	20,846
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,973)	(647)	(564)	(352)	953
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	41,754	7,611	20,846	16,974	35,488

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

北京信諾海博石化科技發展有限公司 Beijing Sino-Hypro Petrochemical Tech. Co., Ltd. (i.e. the Target Company) was incorporated in the PRC with limited liability on 30 January 2008. Its ultimate controlling party is Mr. Zhang Guorui ("**Mr. Zhang**") (the "**Controlling Shareholder**") through an acting-in-concert agreement with Ms. Liu Qing ("**Ms. Liu**"), who is the wife of Mr. Zhang and also the other shareholder of the Target Company, and pursuant to which Ms. Liu shall unconditionally adopt and adhere to Mr. Zhang's position on any matter that cannot reach an agreement. Its registered office is located at Room B177, 4th Floor, Building 1, No. 15 Guanghua Road, Chaoyang District, Beijing, China.

The Target Group, after the group reorganisation as set out in Note 2, is principally engaged in the research, design, manufacturing and provision of specialised system solutions for managing chemical vapours emissions generated during the production, storage and transportation of chemical, oil and gas. The Target Group sells chemical vapours emissions monitoring and control solution products (the "**CVE Control Systems**") to customers in the PRC. Details of the principal activities of these subsidiaries are set out in Note 35.

The Historical Financial Information of the Target Group is presented in Hong Kong dollar ("**HK$**"), which is different from the Target Company's functional currency of Renminbi ("**RMB**"). Management of the Target Group adopted HK$ as presentation currency of the Historical Financial Information of the Target Group for the convenience of the financial statements users because shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRS Accounting Standards issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

Immediately before the group reorganisation, the Target Company, owned as to 80.5% by Mr. Zhang and 19.5% by Ms. Liu, holds 58.34% equity interest in 青島飛普思環保科技有限公司 Qingdao Feipusi Environmental Protection Tech. Co., Ltd. ("**Qingdao Feipusi**") and exercises control over its operations. The remaining equity interests in Qingdao Feipusi were held by Mr. Zhang (25%), Ms. Liu (8.33%) and Ms. Zhang Shiyao ("**Ms. Zhang**") (8.33%), who is the daughter of Mr. Zhang.

Immediately before the group reorganisation, the Target Company did not hold any direct or indirect equity interest in 青島信諾鴻圖環保科技有限公司 Qingdao Sino-Hongtu Environmental Protection Tech. Co., Ltd. ("**Qingdao Sino**") and 青島福蘭達科技有限公司 Qingdao Fulanda Tech. Co., Ltd. ("**Qingdao Fulanda**"), while all these entities were under the common control of Mr. Zhang through (i) an acting-in-concert agreement with Ms. Liu, (ii) entrusted investment agreements with son-in-law Mr. Hu Xiaopeng ("**Mr. Hu**"), who was the nominee shareholders in these entities and also the key management personnel of the Target Group, and with an employee who was the nominee shareholder in Qingdao Fulanda, and (iii) 北京信飛思達科技有限公司 ("**Beijing Xinfeisida**"), which is a company outside the Target Group and under common control of Mr. Zhang.

After the group reorganisation detailed below (the "**Group Reorganisation**"), the Target Company becomes the holding company of Qingdao Feipusi, Qingdao Sino and Qingdao Fulanda. In preparation for the Acquisition, the companies now comprising the Target Group underwent a Group Reorganisation as described below and the major steps of the Group Reorganisation include the followings:

(1) In March 2025, the Target Company acquired 100% equity interest in Qingdao Sino from Beijing Xinfeisida through an equity transfer without consideration.

(2) In September 2025, the Target Company acquired 100% equity interest in Qingdao Fulanda from Mr. Hu and an employee, who were the nominee shareholders in Qingdao Fulanda and held the interest in this entity on behalf of Mr. Zhang, through equity transfers without consideration.

(3) In September 2025, the Target Company was deemed to acquire the remaining 41.66% equity interests in Qingdao Feipusi from Mr. Zhang, Ms. Liu and Ms. Zhang through an unproportionate capital reduction arrangement where Mr. Zhang, Ms. Liu and Ms. Zhang gave up their respective interests in Qingdao Feipusi without collecting any capital refunds.

(4) In September 2025, 北京鑫至諾科技有限公司 Beijing Xinzhinuo Tech. Co., Ltd., a wholly foreign-owned enterprise established in the PRC with limited liability and indirectly owned as to 80.5% and 19.5% by Mr. Zhang and Ms. Liu, acquired approximately 40% equity interest in the Target Company through an equity transfer without consideration.

The Target Group comprising the Target Company and its subsidiaries resulting from the Group Reorganisation has always been under the common control of the Controlling Shareholder through the acting-in-concert agreement or entrusted investment agreements during the Relevant Periods. The control was not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholder before and after the Group Reorganisation. Accordingly, the combined statements of financial position, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group which include the assets and liabilities, the results, changes in equity and cash flows of the Target Company and its subsidiaries comprising the Target Group are presented as if the current group structure upon the Group Reorganisation had been in existence during the Relevant Periods, or since their respective dates of incorporation, establishment or acquisition by the Controlling Shareholder, as applicable, where it is a shorter period. The net assets and results of the Target Group were combined using the carrying values from the perspective of the Controlling Shareholder.

For the purpose of presenting the Historical Financial Information, the results and the equity attributable to the Controlling Shareholder prior to the completion of the Group Reorganisation exclude the results and the equity of the Target Company and Qingdao Feipusi that are attributable to the shareholders other than the Controlling Shareholder of these companies (the "**Non-controlling Interests of the Target Group**"), which are presented as non-controlling interests in the combined financial statements. The Non-controlling Interests of the Target Group are derecognised and transferred to the equity attributable to the Target Company upon the completion of the Group Reorganisation, when the Target Company becomes the holding company of Qingdao Feipusi, Qingdao Sino and Qingdao Fulanda.

In October 2025, the Group Reorganisation has been completed. The details of the group structure after the completion of the Group Reorganisation is set out in the Circular.

The Historical Financial Information has been prepared on a going concern basis.

The statutory financial statements for the years ended 31 December 2022, 2023 and 2024 of the Target Company were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 北京舒慧財明會計師事務所(普通合夥), which is certified public accountants registered in the PRC.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards issued by the HKICPA, which are effective for the Target Group's accounting period beginning on 1 January 2025 throughout the Relevant Periods.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

At the date of this report, the Target Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.

The sole director of the Target Company anticipates that the application of all the new and amendments to HKFRS Accounting Standards will have no material impact on the Target Group's financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**the Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of combination

Subsidiaries are entities controlled by the Target Group. Control is achieved when the Target Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to Controlling Shareholder and to non-controlling interests. Total comprehensive income and expense of subsidiaries is attributed to Controlling Shareholder and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on combination.

Non-controlling interests in subsidiaries, are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Target Group's interests in existing subsidiaries

Changes in the Target Group's interests in subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Target Group and the non-controlling interests according to the Target Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to Controlling Shareholder.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under common control of the controlling party.

The net assets of the combining entities are combined using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Revenue from contracts with customers

Information about the Target Group's accounting policies relating to revenue from contracts with customers is provided in Notes 6 and 24.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production purpose are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the combined statements of financial position include cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Group must incur to make the sale.

Borrowing costs

Borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Target Group's entities are translated into the presentation currency of the Target Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve" (attributed to non-controlling interests of subsidiaries as appropriate).

Exchange differences relating to the retranslation of the Target Group's net assets in RMB to the Target Group's presentation currency (i.e.HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Leases

The Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 ("**Leases**") at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Short-term leases

The Target Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as an expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Target Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets in "property, plant and equipment", the same line item on the combined statements of financial position, within which the corresponding underlying assets would be presented if they were owned.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed.

The Target Group presents lease liabilities as a separate line item on the combined statements of financial position.

Taxation

Taxation represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers, if any, which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other debtors, contract assets, amounts due from related parties, bank balances and amounts due from other entities within the Target Group) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables and contract assets.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Target Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External and/or internal credit ratings where available.

The grouping is regularly reviewed by management of the Target Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment loss or reversal of impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and other debtors, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including creditors and accrued charges, borrowing, amounts due to related parties and amounts due to other entities within the Target Group, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, management of the Target Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that management of the Target Group has made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

Revenue recognition from sales of CVE Control Systems with no alternative use at a point in time

Revenue is recognised over time when the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Target Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Target Group. Based on the assessment of management of the Target Group, the terms of the relevant sales contracts do not create an enforceable right to payment for the Target Group. Accordingly, the sales of CVE Control Systems with no alternative use is considered to be the performance obligation satisfied at a point in time.

The timing of revenue recognition point for sales of CVE Control Systems

Revenue from sales of CVE Control Systems is recognised when they are delivered to the customer, which typically occurs after successful on-site assembly and commissioning at the customer's premises. In determining the point of time when customer obtains control over the goods, management of the Target Group exercises significant judgement and has considered the following, among others, indicators of transfer of control: (i) the Target Group has a present right to payment for the promised goods; (ii) the Target Group has transferred the legal title, physical possession and significant risks and rewards of ownership of the promised goods to the customer; and (iii) the Target Group can objectively determine that control of goods have been transferred to the customer in accordance with the agreed-upon specifications in the contract supported by historical evidence, such that obtaining the customer acceptance certificate is a formality.

Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets of the Target Group with significant balances and credit-impaired are assessed for ECL individually.

In addition, for trade receivables and contract assets which are individually insignificant or when the Target Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Target Group's internal credit ratings.

Management of the Target Group estimates the amount of lifetime ECL of trade receivables and contract assets by collective assessment through grouping of various debtors that have similar loss patterns, based on the Target Group's internal credit ratings and these debtors' repayment history and past due status. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information.

The provision of ECL is sensitive to changes in estimates. The information about the Target Group's trade receivables, contract assets and ECL assessment is disclosed in Notes 17, 19 and 31 respectively.

6. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue recognised at a point in time:					
Sales of CVE Control Systems	108,601	202,699	266,170	76,515	113,984

(i) Performance obligations for contracts with customers and revenue recognition policies

The CVE Control Systems set out in the contracts are based on customer's specifications with no alternative use. Based on the relevant contract terms, management of the Target Group concluded that the Target Group does not have an enforceable right to payment prior to transfer of the CVE Control Systems to customers. Revenue from sales of CVE Control Systems is therefore recognised at a point in time when the completed product is delivered to customer, being at the point that the customer obtains the control of the completed product. In determining the point of time when customer obtains control over the goods, management of the Group exercises significant judgement and has considered the following, among others, indicators of transfer of control: (i) the Target Group has a present right to payment for the promised goods; (ii) the Target Group has transferred the legal title, physical possession and significant risks and rewards of ownership of the promised goods to the customer; and (iii) the Target Group can objectively determine that control of goods have been transferred to the customer in accordance with the agreed-upon specifications in the contract supported by historical evidence, such that obtaining the customer acceptance certificate is a formality.

The Target Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement. The sale and purchase agreement also requires stage payment over the production period. Such advance payment scheme results in contract liabilities being recognised throughout the production period. Management of the Target Group considers the financing component of the advance payment scheme is not significant to the contract as a result of the combination of (i) no significant time gap between transfer of goods and payment, and (ii) relatively low prevailing interest rates at which the Target Group can obtain financing.

A contract asset, net of contract liability related to the same contract, is recognised when the customer obtains the control of the completed product while the Target Group's right to consideration is conditioned on obtaining customer's acceptance certificate. The related contract asset is transferred to trade receivable when the right to consideration becomes unconditional (i.e. the customer provides written acceptance certificate to the Target Group).

Retention receivable is a part of the consideration that is retained until the expiration of the agreed warranty period and it is recognised as a contract asset upon revenue recognition. The related contract asset is transferred to trade receivable when the right to consideration becomes unconditional (i.e. when the agreed warranty period expires). The warranty cannot be purchased separately and serves as an assurance that the products sold comply with agreed-upon specifications.

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied) and the expected timing of recognising revenue are as follows:

Sales of CVE Control Systems

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	155,157	152,230	101,707	41,488
More than one year but not more than two years	42,356	55,845	13,017	37,907
	197,513	208,075	114,724	79,395

7. SEGMENT INFORMATION

Information reported to management of the Target Group, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Target Group's result and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

(i) Geographical information

The Target Group's operations are located in the PRC. All revenue and non-current assets of the Target Group are generated from and located in the PRC.

(ii) Information about major customers

Revenue from customers during the Relevant Periods contributing over 10% of the total revenue of the Target Group are as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	11,221	42,154	76,535	35,388	N/A[1]
Customer B	N/A[2]	N/A[2]	64,673	18,608	35,071
Customer C	13,037	35,044	N/A[1]	N/A[2]	61,152
Customer D	N/A[2]	44,104	44,085	N/A[1]	N/A[2]
Customer E	39,019	N/A[2]	N/A[2]	N/A[2]	N/A[2]
Customer F	N/A[2]	32,100	N/A[2]	N/A[2]	N/A[2]
Customer G	18,123	N/A[2]	N/A[2]	N/A[2]	N/A[2]
Customer H	N/A[2]	N/A[2]	N/A[1]	16,505	N/A[2]
Customer I	13,308	N/A[1]	N/A[2]	N/A[2]	N/A[2]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Target Group.
[2] No revenue was generated from this customer in the respective years/periods.

8. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	59	145	65	35	12
Government grants *(note)*	6,801	8,948	8,371	6,964	2,811
	6,860	9,093	8,436	6,999	2,823

Note: Government grants mainly include (i) a research and development subsidy of HK$1,939,000 provided by a local government department during the six months ended 30 June 2025; and (ii) refund of value-added tax from the PRC tax authorities attributable to certain eligible products sold by the Target Group in the PRC of HK$6,518,000, HK$8,935,000, HK$8,246,000, HK$6,954,000 (unaudited), and HK$868,000 for the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025 respectively. There are no unfulfilled conditions or contingencies relating to these grants.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on bank borrowing	–	7	341	150	175
Interest on lease liabilities	8	136	128	68	55
	8	143	469	218	230

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Depreciation of property, plant and equipment (other than right-of-use assets)	532	936	2,481	1,096	862
Depreciation of right-of-use assets	406	766	917	457	456
Less: capitalised in inventories	–	–	(1,448)	(546)	(946)
Total depreciation	938	1,702	1,950	1,007	372
Staff costs (including directors' emoluments)	5,999	10,909	12,879	4,047	6,204
Less: capitalised in inventories	–	–	(2,114)	(825)	(1,233)
	5,999	10,909	10,765	3,222	4,971

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Impairment loss recognised on trade receivables, other debtors and contract assets under ECL model, net of reversal (included in other gains and losses)	797	1,797	5,081	1,108	6,622
Loss on disposal of property, plant and equipment (included in other gains and losses)	–	–	260	–	–
Auditor's remuneration	–	27	27	–	–
Short-term leases expense	58	55	54	27	27
Cost of inventories recognised as cost of sales	57,544	100,451	146,898	39,936	61,318

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax	5,717	8,690	8,258	2,440	5,557
Deferred tax *(Note 20)*	(625)	(801)	(308)	(506)	(471)
	5,092	7,889	7,950	1,934	5,086

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, tax rate of the entities operating in the PRC is 25% for the Relevant Periods.

Entities within the Target Group are either eligible as High and New Technology Enterprise or Small and Micro Enterprise, and are entitled to an income tax rate of 15% from 2020 to 2027. The PRC's EIT has been provided for these entities after taking the above tax incentives into account.

According to a policy promulgated by the State Tax Bureau of the PRC which was effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 75% of the qualified research and development expenses incurred in determining its assessable tax profits for that year. The additional tax deduction has been increased from 75% of the qualified research and development expenses incurred to 100% with effective from 1 January 2022 ("**Super Deduction**").

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before taxation	38,551	62,996	68,278	17,916	31,463
Tax charge at the domestic income tax rate of 25%	9,638	15,749	17,070	4,479	7,866
Tax effect of expenses not deductible for tax purposes	678	219	100	68	737
Tax effect of Super Deduction	(1,456)	(2,232)	(3,219)	(1,302)	(1,076)
Tax effect of tax losses not recognised	–	122	–	591	277
Utilisation of tax losses previously not recognised	–	–	(119)	(91)	–
Effect of income tax on concessionary rates for certain entities of the Target Group	(3,768)	(5,969)	(5,882)	(1,811)	(2,718)
Taxation for the year/period	5,092	7,889	7,950	1,934	5,086

12. DIRECTOR'S, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the sole director and the chief executive of the Target Company disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance were as follows:

(a) Director's and chief executive's emoluments

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
DIRECTOR:					
Ms. Liu *(note (i))*					
Salaries and other benefits	111	225	156	52	100
Discretionary bonus *(note (ii))*	–	214	156	–	–
Retirement benefit scheme contributions	–	–	–	–	–
	111	439	312	52	100

Notes:

(i) Ms. Liu acts as the chief executive of the Target Group and her emoluments disclosed above included those for services rendered by her as the chief executive.

(ii) The discretionary bonus is determined with reference to the operating results, individual performance and comparable market statistics during the year.

(b) Five highest paid employees

For the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025, of the five individuals with the highest emoluments in the Target Group, one of them for the year ended 31 December 2023 was the sole director of the Target Company whose emolument is included above. The emoluments of the remaining individuals for the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025 respectively are disclosed as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and other benefits	1,138	1,203	1,424	558	712
Discretionary bonus	–	582	712	–	–
Retirement benefit scheme contributions	72	64	77	36	39
	1,210	1,849	2,213	594	751

Their emoluments were within the following bands:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
				(unaudited)	
Nil to HK$1,000,000	5	4	5	5	5

During the Relevant Periods, no emoluments were paid by the Target Group to the sole director of the Target Company and five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office. In addition, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

13. DIVIDENDS

No dividend was paid or proposed by the Target Company and other entities within the Target Group during the Relevant Periods. The dividends declared and paid after the Relevant Periods are set out in Note 36.

14. EARNINGS PER SHARE

No earnings per share information of the Target Group for the Relevant Periods is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Group Reorganisation and for the basis of preparation and presentation of the Historical Financial Information for the Relevant Periods as set out in Note 2.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land *HK$'000*	Leased properties *HK$'000*	Owned properties *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Machinery and equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST								
At 1 January 2022	–	821	–	–	2,121	–	–	2,942
Currency realignment	–	(42)	–	–	(228)	–	–	(270)
Additions	–	–	–	–	1,369	–	–	1,369
Written off	–	(779)	–	–	–	–	–	(779)
At 31 December 2022	–	–	–	–	3,262	–	–	3,262
Currency realignment	(31)	(9)	–	–	(62)	(3)	(29)	(134)
Additions	13,605	4,084	–	–	2,372	1,517	12,628	34,206
At 31 December 2023	13,574	4,075	–	–	5,572	1,514	12,599	37,334
Currency realignment	(498)	(150)	(400)	(37)	(109)	(59)	(201)	(1,454)
Additions	–	–	–	1,731	–	177	6,597	8,505
Disposals	–	–	–	–	(4,566)	–	–	(4,566)
Reclassifications	–	–	18,995	–	–	–	(18,995)	–
At 31 December 2024	13,076	3,925	18,595	1,694	897	1,632	–	39,819
Currency realignment	444	133	632	58	39	55	–	1,361
Additions	–	–	–	–	447	28	–	475
At 30 June 2025	13,520	4,058	19,227	1,752	1,383	1,715	–	41,655
DEPRECIATION								
At 1 January 2022	–	393	–	–	456	–	–	849
Currency realignment	–	(20)	–	–	(57)	–	–	(77)
Depreciation for the year	–	406	–	–	532	–	–	938
Eliminated on written off	–	(779)	–	–	–	–	–	(779)
At 31 December 2022	–	–	–	–	931	–	–	931
Currency realignment	(1)	(1)	–	–	(19)	–	–	(21)
Depreciation for the year	159	607	–	–	925	11	–	1,702
At 31 December 2023	158	606	–	–	1,837	11	–	2,612
Currency realignment	(11)	(36)	(17)	(5)	(46)	(4)	–	(119)
Depreciation for the year	267	650	827	240	1,266	148	–	3,398
Eliminated on disposals	–	–	–	–	(2,303)	–	–	(2,303)
At 31 December 2024	414	1,220	810	235	754	155	–	3,588
Currency realignment	16	47	35	13	27	7	–	145
Depreciation for the period	133	323	449	287	38	88	–	1,318
At 30 June 2025	563	1,590	1,294	535	819	250	–	5,051
CARRYING VALUES								
At 31 December 2022	–	–	–	–	2,331	–	–	2,331
At 31 December 2023	13,416	3,469	–	–	3,735	1,503	12,599	34,722
At 31 December 2024	12,662	2,705	17,785	1,459	143	1,477	–	36,231
At 30 June 2025	12,957	2,468	17,933	1,217	564	1,465	–	36,604

Included in the property, plant and equipment, leasehold land and leased properties are right-of-use assets.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the remaining term of lease
Leased properties	Over the term of lease
Owned properties	5%
Furniture, fixtures and office equipment	33%
Motor vehicles	24%
Machinery and equipment	10%

The Target Group as lessee

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Expense relating to short-term leases *(note (i))*	58	55	54	27	27
Total cash outflow for leases	578	14,277	665	638	707
Additions to right-of-use assets:					
– new lease entered *(note (ii))*	–	4,084	–	–	–
– payments for leasehold land	–	13,605	–	–	–
	–	17,689	–	–	–

Notes:

(i) The Target Group regularly entered into short-term leases for office premises. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above relates.

(ii) For the Relevant Periods, the Target Group leases office premises for its operations. Lease contracts are entered into for fixed terms of 1 year to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

As at 31 December 2022, 2023 and 2024 and 30 June 2025, lease liabilities of nil, HK$3,460,000, HK$2,735,000 and HK$2,137,000 respectively are recognised with related right-of-use assets of nil, HK$3,469,000, HK$2,705,000 and HK$2,468,000 respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

The Target Group has pledged leasehold land, owned properties and construction in progress with aggregate carrying amounts of HK$26,015,000, HK$30,447,000 and HK$30,890,000 to secure the bank borrowing as at 31 December 2023 and 2024 and 30 June 2025 respectively, as detailed in Note 34.

16. INVENTORIES

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	9,031	12,238	6,380	4,764
Work in progress	57,546	61,430	35,451	7,000
	66,577	73,668	41,831	11,764

Inventories of the Target Group of HK$12,175,000, HK$4,944,000, HK$56,000 and HK$5,867,000 are expected to be recovered after more than 12 months as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively.

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	4,568	4,502	2,282	–
Work in progress	49,466	66,165	39,050	6,354
	54,034	70,667	41,332	6,354

Inventories of the Target Company of HK$12,175,000, HK$4,944,000, HK$56,000 and HK$5,867,000 are expected to be recovered after more than 12 months as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively.

17. TRADE RECEIVABLES, OTHER DEBTORS AND PREPAYMENTS

(a) Trade receivables

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	17,647	19,005	84,090	128,366
Bills receivables	64,561	87,210	38,974	28,953
	82,208	106,215	123,064	157,319
Less: allowance for credit losses	(769)	(2,549)	(6,808)	(12,946)
	81,439	103,666	116,256	144,373

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	15,788	17,164	76,053	109,393
Bills receivables	62,434	36,835	7,931	12,088
	78,222	53,999	83,984	121,481
Less: allowance for credit losses	(652)	(1,628)	(5,591)	(8,853)
	77,570	52,371	78,393	112,628

As at 1 January 2022, the carrying amount of trade receivables, net of allowance for credit losses from contracts with customers, of the Target Group and the Target Company amounted to HK$34,663,000 and HK$28,929,000 respectively.

Bills received by the Target Group refer to 銀行承兑匯票 ("**banker's acceptances**") or 商業承兑匯票 ("**commercial acceptances**") which are accepted and guaranteed for payment by PRC banks or commercial financial institutions. The Target Group accepts the settlement of trade receivables by customers using banker's acceptances or commercial acceptances on a case-by-case basis.

These acceptances are issued to or endorsed to the Target Group and with a maturity period of less than one year from the date of issuance. The banker's acceptances will be settled by the banks in the PRC, which are state-owned banks or commercial banks, and the commercial acceptances will be settled by the commercial financial institutions in the PRC on the maturity date of these acceptances.

Customers settle payments in accordance with the payment schedules stated in the contracts. No credit terms are granted to customers.

The Target Group

An aged analysis of trade receivables, which is net of allowance for credit losses (excluding bills held by the Target Group for future settlement), prepared based on the date of customer's acceptance certificate for the goods sold at the end of each reporting period is presented as follows:

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	1,153	4,569	44,552	33,805
4 – 6 months	12,677	1,272	6,009	23,453
Over 6 months	3,048	10,615	26,721	58,162
	16,878	16,456	77,282	115,420

Out of the trade receivables balances, HK$15,725,000, HK$11,887,000, HK$32,730,000 and HK$81,615,000 has been past due 90 days or more as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively and is not considered as in default because management of the Target Group is of the opinion that these customers have a long-term, ongoing relationship with the Target Group and this is their business practice of relatively long repayment cycle historically.

The Target Company

An aged analysis of trade receivables, which is net of allowance for credit losses (excluding bills held by the Target Company for future settlement), prepared based on the date of customer's acceptance certificate for the goods sold at the end of each reporting period is presented as follows:

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	347	4,569	44,551	33,805
4 – 6 months	11,859	1,272	–	11,200
Over 6 months	2,930	9,695	25,911	55,535
	15,136	15,536	70,462	100,540

Out of the past due balances, HK$14,789,000, HK$10,967,000, HK$25,911,000 and HK$66,735,000 has been past due 90 days or more and is not considered as in default as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively due to the reasons explained above.

Transfer of financial assets

The following were the bills received by the Target Group in its trading activities that were endorsed to suppliers on a full recourse basis. As the Target Group has not transferred the significant risks and rewards relating to these bills, it continues to recognise the full carrying amount of these bills in the "trade receivables".

The Target Group

	Bills receivables endorsed to suppliers with full recourse			
	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of transferred assets	55,779	63,837	36,257	15,725
Carrying amount of associated liabilities – in trade creditors	(55,779)	(63,837)	(36,257)	(15,725)

The Target Company

	Bills receivables endorsed to suppliers with full recourse			
	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of transferred assets	56,596	19,560	6,090	2,850
Carrying amount of associated liabilities – in trade creditors	(56,596)	(19,560)	(6,090)	(2,850)

(b) Other debtors and prepayments

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments to suppliers	2,556	8,350	7,650	11,230
Value-added and other tax recoverable	2,293	3,014	10,892	13,437
Guarantee deposits	2,970	4,872	3,081	1,541
Others	1,650	3,636	5,046	5,392
	9,469	19,872	26,669	31,600
Less: allowance for credit losses	–	–	(420)	(434)
	9,469	19,872	26,249	31,166

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments to suppliers	1,132	1,730	981	861
Value-added and other tax recoverable	1,375	–	1,846	–
Guarantee deposits	2,875	4,647	2,652	1,317
Others	1,167	1,278	2,048	2,070
	6,549	7,655	7,527	4,248
Less: allowance for credit losses	–	–	(420)	(434)
	6,549	7,655	7,107	3,814

Details of impairment assessment of trade receivables and other debtors as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively are set out in Note 31.

18. CONTRACT COSTS

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Incremental costs to obtain contracts	8,262	13,947	2,347	–

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Incremental costs to obtain contracts	6,833	13,947	2,347	–

Contract costs capitalised relate to the incremental sales commissions paid to agents whose selling activities resulted in customers entering into sale and purchase agreements for the Target Group's products which are still under production at the reporting date. Contract costs are recognised as part of selling and distribution expenses in the combined statements of profit or loss and other comprehensive income in the period in which revenue from the related products is recognised.

For the Target Group, the amounts of capitalised costs derecognised and charged to profit or loss for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025 were HK$586,000, HK$6,343,000, HK$13,550,000, HK$6,939,000 (unaudited) and HK$2,385,000 respectively. For the Target Company, the amounts of capitalised costs derecognised and charged to profit or loss for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025 were HK$586,000, HK$4,935,000, HK$13,550,000, HK$6,939,000 (unaudited) and HK$2,385,000 respectively. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Relevant Periods.

19. CONTRACT ASSETS

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	34,779	90,684	92,635	84,473
Less: allowance for credit losses	–	–	(202)	(1,043)
	34,779	90,684	92,433	83,430

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	31,361	74,786	64,431	67,565
Less: allowance for credit losses	–	–	(202)	(1,043)
	31,361	74,786	64,229	66,522

As at 1 January 2022, contract assets amounted to HK$29,844,000 and HK$27,499,000 for the Target Group and the Target Company respectively.

An aged analysis of contract assets, which is net of allowance for credit losses, prepared based on the date of internal acceptance and transfer of the goods to the customers at the end of the reporting period is presented as follows:

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	14,553	47,008	17,674	57,116
4 – 6 months	6,528	11,809	19,940	801
Over 6 months	13,698	31,867	54,819	25,513
	34,779	90,684	92,433	83,430

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	14,553	46,658	9,737	40,208
4 – 6 months	5,256	11,808	2,150	801
Over 6 months	11,552	16,320	52,342	25,513
	31,361	74,786	64,229	66,522

The contract assets relate to the Target Group's rights to consideration for the work completed and yet billed because the rights are conditioned on obtaining customer's acceptance certificate. The contract assets are transferred to trade receivables when the rights become unconditional.

The Target Group and the Target Company classifies these contract assets as current because the Target Group expects to realise them in its normal operating cycle.

20. DEFERRED TAXATION

For the purpose of presentation in the combined statements of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	621	1,410	1,658	2,244
Deferred tax liabilities	–	(1)	–	(49)
	621	1,409	1,658	2,195

The followings are the deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Unrealised intra-group sales	Right-of-use assets	Lease liabilities	ECL provision	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2022	–	(65)	82	–	17
Credit (charge) to profit or loss	523	60	(78)	120	625
Currency realignment	(17)	5	(4)	(5)	(21)
At 31 December 2022	506	–	–	115	621
Credit (charge) to profit or loss	533	(522)	520	270	801
Currency realignment	(11)	2	(1)	(3)	(13)
At 31 December 2023	1,028	(520)	519	382	1,409
(Charge) credit to profit or loss	(460)	98	(92)	762	308
Currency realignment	(28)	16	(17)	(30)	(59)
At 31 December 2024	540	(406)	410	1,114	1,658
(Charge) credit to profit or loss	(468)	48	(102)	993	471
Currency realignment	9	(12)	13	56	66
At 30 June 2025	81	(370)	321	2,163	2,195

The Target Group and the Target Company had no significant amounts of deductible temporary differences and unused tax losses which have not been recognised deferred tax assets as at 31 December 2022, 2023 and 2024 and 30 June 2025.

21. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE FROM (TO) OTHER ENTITIES WITHIN THE TARGET GROUP

Amounts due from (to) related parties

The Target Group

The balances represent the amounts due from (to) the Mr. Zhang, Mr. Hu, Ms. Liu, Ms. Zhang and certain shareholders of the Target Company. The maximum amount outstanding from the sole director of the Target Company during the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2025 is HK$441,000, HK$434,000, HK$418,000, and HK$432,000 respectively.

The balances were non-trade in nature, interest-free, unsecured and repayable on demand.

Up to the date of this report, out of the amounts due from related parties and the amounts due to related parties as at 30 June 2025 HK$10,846,000 and HK$33,419,000 have been settled respectively. Upon completion of the Acquisition, a further amount of HK$1,096,000 of the amounts due from related parties will be settled and the remaining net balance of the amounts due from/to related parties will be waived accordingly.

Amounts due from (to) other entities within the Target Group

The Target Company

The balances were interest-free, unsecured and repayable on demand. The amounts due from other entities within the Target Group were non-trade in nature while the amounts due to entities within the Target Group resulted from both trade and non-trade transactions.

22. BANK BALANCES AND CASH

Bank balances carried interest at market rates ranging from 0.25% to 0.35%, 0.1% to 0.35%, 0.1% to 0.2% and 0.05% to 0.1% per annum as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively.

All the bank balances and cash were denominated in RMB as at 31 December 2022, 2023 and 2024 and 30 June 2025.

Details of impairment assessment of bank balances are set out in Note 31.

23. CREDITORS AND ACCRUED CHARGES

(a) Trade payables

The Target Group

An aged analysis of trade payables of the Target Group prepared based on the invoice date at the end of each reporting period is presented as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	65,152	102,679	49,406	33,735
4 – 6 months	6,048	3,469	1,984	1,007
Over 6 months	1,396	1,796	15,851	8,729
	72,596	107,944	67,241	43,471

The Target Company

An aged analysis of trade payables of the Target Company prepared based on the invoice date at the end of each reporting period is presented as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	25,486	6,840	3,306	6,453
4 – 6 months	3,964	17	56	–
Over 6 months	1,190	1,499	1,296	929
	30,640	8,356	4,658	7,382

No credit terms are granted by suppliers to the Target Group and the Target Company.

(b) Other creditors and accrued charges

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Staff salaries and benefits payables	360	4,078	3,993	936
Value-added tax and other tax payables	19	3,694	518	5,194
Others	945	2,204	918	3,703
	1,324	9,976	5,429	9,833

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Staff salaries and benefits payables	160	2,213	2,066	498
Value-added tax and other tax payables	1	2,844	306	5,138
Others	166	833	233	2,878
	327	5,890	2,605	8,514

24. CONTRACT LIABILITIES

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities on sales of CVE Control Systems – Current	84,585	72,857	50,082	10,320

The Target Company

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities on sales of CVE Control Systems – Current	68,747	65,603	50,082	5,433

As at 1 January 2022, contract liabilities amounted to HK$57,497,000 and HK$48,615,000 for the Target Group and the Target Company respectively.

The Target Group

The following table shows how much of the revenue of the Target Group recognised relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	20,899	71,577	42,054	28,779	47,316

The Target Company

The following table shows how much of the revenue of the Target Company recognised relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	17,136	56,013	35,066	28,592	47,316

25. LEASE LIABILITIES

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities:				
Within one year	–	621	624	660
More than one year but not exceeding two years	–	648	652	711
More than two years but not exceeding five years	–	2,191	1,459	766
	–	3,460	2,735	2,137
Less: Amount due for settlement within 12 months shown under current liabilities	–	(621)	(624)	(660)
Amount due for settlement after 12 months shown under non-current liabilities	–	2,839	2,111	1,477

The weighted average incremental borrowing rates per annum applied to lease liabilities are 4.65%, 4.30%, 4.30% and 4.30% as at 31 December 2022, 2023 and 2024 and 30 June 2025 respectively.

26. BORROWING

The Target Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowing – secured	–	5,362	12,099	13,170

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The borrowing is repayable as follows*:				
Within one year	–	137	647	902
More than one year but not more than two years	–	275	954	1,068
More than two years but not more than five years	–	1,512	4,136	4,978
More than five years	–	3,438	6,362	6,222
	–	5,362	12,099	13,170
Less: amounts due within one year shown under current liabilities	–	(137)	(647)	(902)
Amounts shown under non-current liabilities	–	5,225	11,452	12,268

* The amounts due are based on scheduled repayment dates set out in the borrowing agreement.

The borrowing carried a variable interest rate at the PRC's 5-year Loan Prime Rate ("LPR") minus 100 basis point per annum. Interest would be reset at every 6 months. The effective interest rate per annum was 3.19%, 3.09%, and 2.66% as at 31 December 2023 and 2024 and 30 June 2025 respectively.

The borrowing was secured by the pledge of certain assets of the Target Group as set out in Note 34. The borrowing was also guaranteed by certain entities within the Target Group and Mr. Zhang and Ms. Liu personally.

27. SHARE CAPITAL AND RESERVES OF THE TARGET COMPANY

	Number of shares *'000*	Share capital *HK$'000*	Share capital *RMB'000*
Ordinary shares of RMB1 each			
Registered			
At 1 January 2022, 31 December 2022, 2023 and 2024 and 30 June 2025	50,000	59,202	50,000
Issued and fully paid			
At 1 January 2022, 31 December 2022, 2023 and 2024 and 30 June 2025	10,000	11,786	10,000

Reserves of the Target Company

Movement of reserves of the Target Company

	Translation reserve *HK$'000*	Legal reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2022	447	1,755	21,288	23,490
Profit for the year	–	–	35,196	35,196
Exchange difference on translation from functional currency to presentation currency	(4,209)	–	–	(4,209)
Transfer	–	3,397	(3,397)	–
At 31 December 2022	(3,762)	5,152	53,087	54,477
Profit for the year	–	–	45,872	45,872
Exchange difference on translation from functional currency to presentation currency	(1,246)	–	–	(1,246)
Transfer	–	4,576	(4,576)	–
At 31 December 2023	(5,008)	9,728	94,383	99,103
Profit for the year	–	–	35,630	35,630
Exchange difference on translation from functional currency to presentation currency	(4,820)	–	–	(4,820)
Transfer	–	3,488	(3,488)	–
At 31 December 2024	(9,828)	13,216	126,525	129,913
Profit for the period	–	–	27,830	27,830
Exchange difference on translation from functional currency to presentation currency	5,306	–	–	5,306
Transfer	–	2,833	(2,833)	–
At 30 June 2025	(4,522)	16,049	151,522	163,049

28. RETIREMENT BENEFIT PLANS

The employees of the Target Group are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Target Group's entities are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions.

The costs charged to profit or loss represent contributions paid or payable to these plans by the Target Group at rates specified in the rules of the plans in respect of the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2022	**2023**	**2024**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Retirement benefit scheme contributions	347	422	672	323	360

29. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the combined financial statements				
– Property, plant and equipment	–	4,779	–	–

30. CAPITAL RISK MANAGEMENT

The Target Group and the Target Company manage their capital to ensure that entities in the Target Group and the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Target Group's and the Target Company's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Group and the Target Company consists of debts, which include lease liabilities and borrowing disclosed in Notes 25 and 26 respectively, net of bank balances and cash and total equity, mainly comprising issued capital and reserves, and non-controlling interests.

Management of the Target Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Target Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

Management of the Target Group monitors the utilisation of borrowing and ensures full compliance with loan covenants, if any, during and at the end of each reporting period.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Target Group

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Amortised cost	134,679	127,038	153,910	204,481
Financial liabilities				
Amortised cost	74,605	115,992	80,358	100,094

The Target Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Amortised cost	125,269	108,467	139,417	198,747
Financial liabilities				
Amortised cost	80,158	78,407	45,335	73,636

(b) Financial risk management objectives and policies

Management of the Target Group has overall responsibility for the establishment and oversight of the Target Group's risk management framework. The Target Group's risk management policies are established to identify and analyse the risks encountered by the Target Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Target Group's activities. The Target Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no material change to the Target Group's exposure to market risks or the manner in which it manages and measures these risks.

(i) Market risk

The Target Group's activities expose primarily to the financial risks of changes in interest rates.

Currency risk

As the entities comprising the Target Group have transactions within the PRC only and the translation of assets and liabilities of entities comprising the Target Group to HK$ is for presentation purpose only.

The Target Group and the Target Company currently do not have a foreign exchange hedging policy. However, management of the Target Group and the Target Company monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Interest risk

The Target Group and the Target Company are exposed to fair value interest rate risk in relation to lease liabilities (Note 25). The Target Group and the Target Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 22) and variable-rate borrowing (Note 26).

Management of the Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the variable-rate borrowing and ensure the rate is within reasonable range.

Sensitivity analysis

The management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and bank borrowing is insignificant. No sensitivity analysis is presented accordingly.

(ii) Credit risk and impairment management

Credit risk refers to the risk that the Target Group's and the Target Company's counterparties default on their contractual obligations resulting in financial losses to the Target Group and the Target Company. The Target Group's and the Target Company's credit risk exposure are primarily attributable to trade receivables, contract assets, other debtors, amount due from related parties, amounts due from other entities within the Target Group and bank balances. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Target Group and the Target Company performed impairment assessment for financial assets. Information about the Target Group's and the Target Company's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as in this note.

The Target Group's and the Target Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Financial assets other than trade receivables and contract assets
Low risk	The debtors have a low risk of default and they sometimes repay after due dates but within the reasonable expected time length. The balance is usually settled in full.	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtors frequently repay after due dates, which exceed the reasonable expected time length, but with reasonable and supportable information.	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	Overdue without any reasonable and supportable information. There have been significant increases in credit risk since initial recognition through information developed from internal or external resources.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group/the Target Company has no realistic prospect of recovery.	Amount is written off	Amount is written off

Trade receivables and contract assets arising from contracts with customers

Trade receivables consist of customers which are mainly concentrated in the petrochemical industry and across diverse geographical areas. In order to minimise the credit risk, management of the Target Group has delegated the responsible personnel for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Target Group and the Target Company only accept bills issued or guaranteed by reputable PRC banks or commercial financial institutions. Management of the Target Group considers the ECL for those bills receivables is insignificant because the relevant banks or commercial financial institutions are reputable with high credit rating issued by credit rating agencies in the PRC. In this regard, management of the Target Group considers that the Target Group's and the Target Company's credit risk is significantly reduced.

In addition, the Target Group and the Target Company perform impairment assessment under ECL model on trade receivables not backed by bills and contract assets on collective basis. The Target Group and the Target Company apply internal credit rating for their customers. Debtors are grouped by similar loss patterns which are based on the Target Group's and the Target Company's internal credit ratings, and these debtors' repayment history and past due status. In respect of trade receivables of the Target Group, net impairment loss of HK$797,000, HK$1,797,000, HK$4,445,000, HK$1,108,000 (unaudited) and HK$5,788,000 was recognised for the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025 respectively. In respect of contract assets of the Target Group, net impairment loss of nil, nil, HK$207,000, nil (unaudited) and HK$834,000 was recognised for the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025 respectively.

The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively within lifetime ECL (not credit-impaired). No debtors were credit-impaired as at 31 December 2022, 2023 and 2024 and 30 June 2025 and, thus, no debtors were assessed individually.

The Target Group

As at 31 December 2022

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	14,146	–	–	14,146
Watch list	3,501	21.97%	(769)	2,732
	17,647		(769)	16,878

As at 31 December 2023

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	10,420	2.74%	(285)	10,135
Watch list	8,585	26.37%	(2,264)	6,321
	19,005		(2,549)	16,456

As at 31 December 2024

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	67,987	0.31%	(210)	67,777
Watch list	16,103	40.97%	(6,598)	9,505
	84,090		(6,808)	77,282

As at 30 June 2025

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	106,791	1.37%	(1,468)	105,323
Watch list	21,575	53.20%	(11,478)	10,097
	128,366		(12,946)	115,420

The Target Company

As at 31 December 2022

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	12,522	–	–	12,522
Watch list	3,266	19.96%	(652)	2,614
	15,788		(652)	15,136

As at 31 December 2023

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	10,422	2.73%	(285)	10,137
Watch list	6,742	19.92%	(1,343)	5,399
	17,164		(1,628)	15,536

As at 31 December 2024

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	61,978	0.34%	(210)	61,768
Watch list	14,075	38.23%	(5,381)	8,694
	76,053		(5,591)	70,462

As at 30 June 2025

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	94,537	1.55%	(1,468)	93,069
Watch list	14,856	49.71%	(7,385)	7,471
	109,393		(8,853)	100,540

The following table provides information about the exposure to credit risk for contract assets which are assessed collectively within lifetime ECL (not credit-impaired). No debtors were credit-impaired as at 31 December 2022, 2023 and 2024 and 30 June 2025 and, thus, no debtors were assessed individually.

The Target Group

As at 31 December 2022

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	34,779	–	–	34,779

As at 31 December 2023

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	90,684	–	–	90,684

As at 31 December 2024

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	92,292	–	–	92,292
Watch list	343	58.89%	(202)	141
	92,635		(202)	92,433

As at 30 June 2025

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	82,131	0.53%	(439)	81,692
Watch list	2,342	25.79%	(604)	1,738
	84,473		(1,043)	83,430

The Target Company

As at 31 December 2022

	Gross carrying amount	**Average loss rate**	**Net loss allowance**	**Carrying amount**
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	31,361	–	–	31,361

As at 31 December 2023

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	74,786	–	–	74,786

As at 31 December 2024

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	64,088	–	–	64,088
Watch list	343	58.89%	(202)	141
	64,431		(202)	64,229

As at 30 June 2025

	Gross carrying amount	Average loss rate	Net loss allowance	Carrying amount
	HK$'000		*HK$'000*	*HK$'000*
Internal credit rating				
Low risk	65,223	0.67%	(439)	64,784
Watch list	2,342	25.79%	(604)	1,738
	67,565		(1,043)	66,522

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. Such forward-looking information with reference to market and industry data is used by management of the Target Group to assess both the current as well as the forecast direction of conditions at the reporting date.

The grouping is regularly reviewed by management of the Target Group to ensure relevant information about specific debtors is updated.

The following tables show the movement in lifetime ECL that has been recognised for trade receivables of the Target Group and the Target Company under the simplified approach.

The Target Group

	Lifetime ECL (not credit – impaired)	**Lifetime ECL (credit – impaired)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2022	–	–	–
Impairment losses recognised, net of reversal	797	–	797
Currency realignment	(28)	–	(28)
At 31 December 2022	769	–	769
Impairment losses recognised, net of reversal	1,797	–	1,797
Currency realignment	(17)	–	(17)
At 31 December 2023	2,549	–	2,549
Impairment losses recognised, net of reversal	4,445	–	4,445
Currency realignment	(186)	–	(186)
At 31 December 2024	6,808	–	6,808
Transfer from contract assets	15	–	15
Impairment losses recognised, net of reversal	5,788	–	5,788
Currency realignment	335	–	335
At 30 June 2025	12,946	–	12,946

The Target Company

	Lifetime ECL (not credit – impaired)	Lifetime ECL (credit – impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2022	–	–	–
Impairment losses recognised, net of reversal	675	–	675
Currency realignment	(23)	–	(23)
At 31 December 2022	652	–	652
Impairment losses recognised, net of reversal	990	–	990
Currency realignment	(14)	–	(14)
At 31 December 2023	1,628	–	1,628
Impairment losses recognised, net of reversal	4,110	–	4,110
Currency realignment	(147)	–	(147)
At 31 December 2024	5,591	–	5,591
Transfer from contract assets	15	–	15
Impairment losses recognised, net of reversal	3,002	–	3,002
Currency realignment	245	–	245
At 30 June 2025	8,853	–	8,853

The following tables show the movement in lifetime ECL that has been recognised for contract assets of the Target Group and the Target Company under the simplified approach.

The Target Group

	Lifetime ECL (not credit – impaired)	**Lifetime ECL (credit – impaired)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2022, 31 December 2022 and 2023	–	–	–
Impairment losses recognised, net of reversal	207	–	207
Currency realignment	(5)	–	(5)
At 31 December 2024	202	–	202
Transfer to trade receivables	(15)	–	(15)
Impairment losses recognised, net of reversal	834	–	834
Currency realignment	22	–	22
At 30 June 2025	1,043	–	1,043

The Target Company

	Lifetime ECL (not credit – impaired)	**Lifetime ECL (credit – impaired)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2022, 31 December 2022 and 2023	–	–	–
Impairment losses recognised, net of reversal	207	–	207
Currency realignment	(5)	–	(5)
At 31 December 2024	202	–	202
Transfer to trade receivables	(15)	–	(15)
Impairment losses recognised, net of reversal	834	–	834
Currency realignment	22	–	22
At 30 June 2025	1,043	–	1,043

The Target Group and the Target Company write off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings whichever occur earlier.

The tables below detail the credit risk exposures of the Target Group's and the Target Company's financial assets other than trade receivables and contract assets, which are subject to ECL assessment:

The Target Group

					Gross carrying amount			
		External credit	Internal credit	12-month or lifetime	As at 31 December			As at 30 June
	Notes	**rating**	**rating**	**ECL**	**2022**	**2023**	**2024**	**2025**
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised costs								
Amounts due from related parties	*21*	N/A	*(note)*	12m ECL	6,866	7,253	9,101	18,121
Other debtors	*17*	N/A	*(note)*	12m ECL	4,620	8,508	8,127	6,933
Bank balances	*22*	Ranged from A to BBB–	N/A	12m ECL	41,754	7,611	20,846	35,488

The Target Company

					Gross carrying amount			
		External credit	Internal credit	12-month or lifetime	As at 31 December			As at 30 June
	Notes	rating	rating	ECL	2022	2023	2024	2025
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised costs								
Amounts due from related parties	*21*	N/A	*(note)*	12m ECL	6,866	7,251	8,051	17,031
Amounts due from other entities within the Target Group	*21*	N/A	*(note)*	12m ECL	3,099	37,278	34,663	33,141
Other debtors	*17*	N/A	*(note)*	12m ECL	4,042	5,925	4,700	3,387
Bank balances	*22*	Ranged from A to BBB–	N/A	12m ECL	33,692	5,642	14,030	32,994

Note: For the purposes of internal credit risk management, the Target Group and the Target Company used the financial performance of the related parties including their profitability and net asset position to assess whether credit risk on amounts due from related parties and amounts due from other entities within the Target Group has been increased significantly since initial recognition. For other debtors, the Target Group and the Target Company assessed whether credit risk on other debtors has been increased significantly since initial recognition based on the past due records during the Relevant Periods.

Amounts due from related parties and amounts due from other entities within the Target Group

The amounts due from related parties and amounts due from other entities within the Target Group are centrally managed by the Target Group. For the purpose of impairment assessment, the amounts were considered to have low credit risk as the timing of payment is controlled by the Controlling Shareholder and his close family member taking into account cash flow management within the Target Group, and there has been no significant increase in the risk of default on the amount since initial recognition. The management assessed that the ECL for amounts due from related parties of the Target Group and the Target Company and the amounts due from other entities within the Target Group of the Target Company were insignificant for the Relevant Periods and, thus, no impairment loss was recognised for these balances.

Other debtors

For other debtors, management of the Target Group made periodic individual assessment on the recoverability of other debtors based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believed that there was no material credit risk inherent in the Target Group's and the Target Company's outstanding balances of other debtors are short-term in nature. The management assessed that the ECL for other debtors of the Target Group and the Target Company for the years ended 31 December 2022 and 2023 and six months ended 30 June 2024 and 2025 was insignificant. An impairment loss of HK$429,000 in respect of other debtors of the Target Group was recognised for the year ended 31 December 2024.

Bank balances

Credit risk on bank balances was limited because the counterparties were reputable banks with high credit ratings assigned by external credit rating agencies. The Target Group and the Target Company assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. The management assessed that the ECL for bank balances of the Target Group and the Target Company was insignificant for the Relevant Periods and, thus, no impairment loss was recognised for these balances.

(iii) Liquidity risk management

In the management of the liquidity risk, the Target Group and the Target Company monitor and maintain a level of cash and cash equivalents deemed adequate by management of the Target Group to finance the Target Group's and the Target Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants, if any.

Ultimate responsibility for liquidity risk management rests with the management who has built an appropriate liquidity risk management framework for managing the Target Group's and the Target Company's short, medium and long-term funding and liquidity management requirements. The Target Group and the Target Company manage liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitor the forecast and actual cash flows.

Liquidity and interest risk tables

The following table details the Target Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of each reporting period.

The Target Group

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2022								
Creditors and accrued charges	N/A	73,541	–	–	–	–	73,541	73,541
Amounts due to related parties	N/A	1,064	–	–	–	–	1,064	1,064
		74,605	–	–	–	–	74,605	74,605

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2023								
Creditors and accrued charges	N/A	110,148	–	–	–	–	110,148	110,148
Amounts due to related parties	N/A	482	–	–	–	–	482	482
Lease liabilities	4.30	751	–	751	2,321	–	3,823	3,460
Bank borrowing	3.19	–	142	290	1,701	4,284	6,417	5,362
		111,381	142	1,041	4,022	4,284	120,870	119,452

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2024								
Creditors and accrued charges	N/A	68,159	–	–	–	–	68,159	68,159
Amounts due to related parties	N/A	100	–	–	–	–	100	100
Lease liabilities	4.30	723	–	723	1,512	–	2,958	2,735
Bank borrowing	3.09	323	328	1,005	4,631	7,781	14,068	12,099
		69,305	328	1,728	6,143	7,781	85,285	83,093

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2025								
Creditors and accrued charges	N/A	47,174	–	–	–	–	47,174	47,174
Amounts due to related parties	N/A	39,750	–	–	–	–	39,750	39,750
Lease liabilities	4.30	–	748	770	793	–	2,311	2,137
Bank borrowing	2.66	361	548	1,117	5,483	7,375	14,884	13,170
		87,285	1,296	1,887	6,276	7,375	104,119	102,231

The Target Company

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2022								
Creditors and accrued charges	N/A	30,806	–	–	–	–	30,806	30,806
Amounts due to related parties	N/A	414	–	–	–	–	414	414
Amounts due to other entities within the Target Group	N/A	48,938	–	–	–	–	48,938	48,938
		80,158	–	–	–	–	80,158	80,158

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2023								
Creditors and accrued charges	N/A	9,189	–	–	–	–	9,189	9,189
Amounts due to other entities within the Target Group	N/A	69,218	–	–	–	–	69,218	69,218
		78,407	–	–	–	–	78,407	78,407

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2024								
Creditors and accrued charges	N/A	4,891	–	–	–	–	4,891	4,891
Amounts due to other entities within the Target Group	N/A	40,444	–	–	–	–	40,444	40,444
		45,335	–	–	–	–	45,335	45,335

	Weighted average interest rate	On demand or less than 6 months	6 months to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2025								
Creditors and accrued charges	N/A	10,260	–	–	–	–	10,260	10,260
Amounts due to related parties	N/A	39,658	–	–	–	–	39,658	39,658
Amounts due to other entities within the Target Group	N/A	23,718	–	–	–	–	23,718	23,718
		73,636	–	–	–	–	73,636	73,636

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

32. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2024, the Target Group disposed of the motor vehicles with carrying amount of HK$2,263,000 to Ms. Zhang and Mr. Hu and the related receivable was included in the "amounts due from related parties" line item in the combined statements of financial position of the Target Group.

Other than the remuneration of the sole director of the Target Company as disclosed in Note 12, details of amounts due from (to) related parties and amounts due from (to) other entities within the Target Group as disclosed in Note 21 and the details of personal guarantees provided by the related parties as disclosed in Note 26, the Target Group and the Target Company did not have other material related party transactions and balances during the Relevant Periods.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Target Group's combined statements of cash flows as cash flows from financing activities.

	Borrowing	Lease liabilities	Interest payable (include in other payable)	Amounts due to related parties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2022	–	548	–	1,200	1,748
Financing cash flows	–	(528)	–	(36)	(564)
Interest expense	–	8	–	–	8
Exchange adjustment	–	(28)	–	(100)	(128)
At 31 December 2022	–	–	–	1,064	1,064
Financing cash flows	5,374	(753)	(7)	(565)	4,049
New lease entered	–	4,084	–	–	4,084
Interest expense	–	136	7	–	143
Exchange adjustment	(12)	(7)	–	(17)	(36)
At 31 December 2023	5,362	3,460	–	482	9,304
Financing cash flows	7,083	(739)	(341)	(373)	5,630
Interest expense	–	128	341	–	469
Exchange adjustment	(346)	(114)	–	(9)	(469)
At 31 December 2024	12,099	2,735	–	100	14,934
Financing cash flows	648	(735)	(175)	38,953	38,691
Interest expense	–	55	175	–	230
Exchange adjustment	423	82	–	697	1,202
At 30 June 2025	13,170	2,137	–	39,750	55,057
(Unaudited)					
At 1 January 2024	5,362	3,460	–	482	9,304
Financing cash flows	5,723	(679)	(150)	(70)	4,824
Interest expense	–	68	150	–	218
Exchange adjustment	(200)	(147)	–	(13)	(360)
At 30 June 2024	10,885	2,702	–	399	13,986

34. PLEDGE OF ASSETS

The Target Group's borrowing was secured by the pledge of certain fixed assets included in Note 15. The carrying amounts of these assets are as follows:

	As at 31 December			As at 30 June
	2022	**2023**	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land	N/A	13,416	12,662	12,957
Owned properties	N/A	–	17,785	17,933
Construction in progress	N/A	12,599	–	–
	N/A	26,015	30,447	30,890

35. PARTICULARS OF TARGET GROUP ENTITIES OTHER THAN TARGET COMPANY

The shareholdings/equity interests of the entities other than the Target Company within the Target Group are summarised as follows:

			Shareholdings/equity interests attributable to Controlling Shareholder/the Target Company as at					
Name of entities	**Place the date of incorporation/ establishment**	**Issued and fully paid capital/ registered capital**	**31 December 2022**	**31 December 2023**	**31 December 2024**	**30 June 2025**	**the date of this report**	**Principal activities**
Qingdao Sino *(note (i))*	PRC 27 December 2022	Nil/ RMB10,000,000	100%	100%	100%	100%	100%	Property investment
Qingdao Feipusi *(note (ii))*	PRC 31 July 2018	RMB2,000,000/ RMB120,000,000	49.8%	49.8%	49.8%	72%	100%	Trading in CVE Control Systems
Qingdao Fulanda *(note (i))*	PRC 11 January 2022	Nil/ RMB10,000,000	100%	100%	100%	100%	100%	Manufacturing of CVE Control Systems

Except for Qingdao Feipusi, which is held directly by the Target Company, all other entities are held indirectly by the Target Company.

All entities now comprising the Target Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries has issued any debt securities as at 31 December 2022, 2023 and 2024 and 30 June 2025 or at any time during the Relevant Periods.

Notes:

(i) No statutory financial statements have been prepared in respect of the Relevant Periods as there is no statutory audit requirements.

(ii) As detailed in Note 2, Qingdao Feipusi is held directly by the Target Company. The non-controlling equity interests in Qingdao Feipusi were held directly by Ms. Liu (8.33%) and Ms. Zhang (8.33%) and indirectly by Ms. Liu (11.4%) and other shareholders of the Target Company (22.1%) as at 31 December 2022, 2023 and 2024. The non-controlling equity interests in Qingdao Feipusi were held directly by Ms. Liu (8.33%) and Ms. Zhang (8.33%) and indirectly by Ms. Liu (11.4%) as at 30 June 2025. As Qingdao Feipusi is controlled by the Controlling Shareholder through more than one tier of shareholding structure, it leads to effective interests attributable to the Controlling Shareholder in this entity to be less than 50% while penetrating to the bottom shareholding.

The statutory financial statements for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 山東山屹會計師事務所有限公司, 山東瑞星聯合會計師事務所(普通合夥) and 山東潤德有限責任會計師事務所 respectively, which are certified public accountants registered in the PRC.

36. EVENT AFTER THE END OF THE REPORTING PERIOD

Saved as disclosed elsewhere in the Historical Financial Information, the Target Group has the following event after the end of the reporting period:

Subsequent to 30 June 2025, dividends of RMB55,030,000 have already been declared and paid to the then shareholders of the Target Company.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or other entities within the Target Group have been prepared in respect of any period subsequent to 30 June 2025.

*Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2025 (the "**Relevant Periods**") based on the accountants' report of the Target Group set out in Appendix II to this circular.*

OPERATING RESULTS

Revenue

The Target Group is a company established in the PRC. During the Relevant Periods, the Target Group had only one reportable business segment and generated revenue from managing chemical vapours emissions generated by its customers.

For the three years ended 31 December 2022, 2023 and 2024, the revenue of the Target Group increased from approximately HK$108.6 million in year 2022 to approximately HK$202.7 million in year 2023, and further to approximately HK$266.2 million in year 2024. For the six months ended 30 June 2024 and 2025, the revenue of the Target Group increased from approximately HK$76.5 million to approximately HK$114.0 million. Such increases were mainly attributable to (i) the Target Group's continuous effort to improve its proprietary technology and expand its portfolio of specialised systems solutions of managing chemical vapours emissions, allowing it to secure more contracts from major customers in the chemicals, oil and gas sectors; and (ii) growing demand for environmental compliance solutions in the PRC market, driven by increasingly stringent regulatory standards; and (iii) domestic chemicals, oil and gas sectors continue to develop.

Gross profit

The gross profit of the Target Group increased from approximately HK$51.1 million in year 2022 to approximately HK$102.2 million in year 2023, while the gross profit margin increased from approximately 47.0% to 50.4%, such increase was primarily attributed to the revenue growth.

The gross profit of the Target Group further increased to approximately HK$119.3 million in year 2024. Such increase was generally in line with the revenue growth as mentioned above, however, the gross profit margin dropped to 44.8%.

For the six months ended 30 June 2024 and 2025, the gross profit of the Target Group increased from approximately HK$36.6 million to approximately HK$52.7 million. Such increase was generally in line with the revenue growth as mentioned above.

Selling and distribution expenses

The selling and distribution expenses of the Target Group mainly comprised of selling expense, staff cost and transportation expenses. The selling and distribution expenses of the Target Group increased from approximately HK$7.0 million in year 2022 to approximately HK$30.1 million in year 2023, and further increased to approximately HK$37.3 million in year 2024. Such increase was generally in line with the revenue growth as mentioned above.

For the six months ended 30 June 2024 and 2025, the selling and distribution expenses of the Target Group decreased from approximately HK$16.6 million to approximately HK$6.9 million. The decrease was primarily due to stringent control over costs and expense.

General and administrative expenses

The general and administrative expenses of the Target Group mainly comprised of staff costs, utilities and professional and consultancy fee. The general and administrative expenses of the Target Group increased from approximately HK$11.6 million in year 2022 to approximately HK$16.3 million in year 2023. Such increase was mainly attributed to increase in staff cost. The general and administrative expenses of the Target Group remained stable of approximately HK$16.3 million in year 2024.

For the six months ended 30 June 2024 and 2025, the general and administrative expenses of the Target Group increased from approximately HK$7.8 million to approximately HK$10.3 million. The increase was mainly attributed to increase in staff cost.

Other income, gains and losses

Other income, gains and losses of the Target Group mainly comprised of interest income, government grants and impairment loss recognised on trade receivables, other debtors and contract assets. Other income, gains and losses of the Target Group increased from approximately HK$6.1 million in year 2022 to approximately HK$7.3 million in year 2023. The increase in other income, gains and losses for year 2023 was mainly due to increase in government grants, partly offset by the increase in impairment loss recognised on trade receivables, other debtors and contract assets. Other income, gains and losses of the Target Group decreased to approximately HK$3.1 million in year 2024. The decrease in other income, gains and losses for year 2024 was mainly due to increase in impairment loss recognised on trade receivables, other debtors and contract assets.

For the six months ended 30 June 2024 and 2025, other income, gains and losses of the Target Group were HK$5.9 million gains and HK$3.8 million losses, respectively. The decrease in such amount was mainly due to decrease in government grants and increase in impairment loss recognised on trade receivables, other debtors and contract assets.

Profit

As a result of the above factors, the profits of the Target Group for the three years ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2024 and 2025 were HK$33.5 million, HK$55.1 million, HK$60.3 million, HK$16.0 million and HK$26.4 million, respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group financed its operations and working capital requirements primarily through a combination of internally generated cash flow and borrowings.

Cash and cash equivalents

As at 31 December 2022, 2023, 2024 and 30 June 2025, the Target Group had cash and cash equivalents amounting to approximately HK$41.8 million, HK$7.6 million, HK$20.8 million and HK$35.5 million, respectively. All the cash and cash equivalents held by the Target Group were denominated in RMB.

Borrowings and gearing ratio

As at 31 December 2022, 2023, 2024 and 30 June 2025, the Target Group had total outstanding borrowings of nil, HK$5.4 million, HK$12.1 million and HK$13.2 million, respectively, which were all denominated in RMB. Out of the total outstanding borrowings as at (i) 31 December 2023, approximately 2.6%, 5.1%, 28.2% and 64.1% were repayable within one year, one to two years, two to five years and over five years, respectively; (ii) 31 December 2024, approximately 5.3%, 7.9%, 34.2% and 52.6% were repayable within one year, one to two years, two to five years and over five years, respectively; and (iii) 30 June 2025, approximately 6.8%, 8.1%, 37.8% and 47.3% were repayable within one year, one to two years, two to five years and over five years, respectively.

All borrowings from banks were interest bearing at rates ranging from 2.5% to 2.7% as at 30 June 2025.

Gearing ratio of the Target Group is calculated as net bank borrowings as a percentage of equity attributable to owners of the Target Company. Gearing ratio was not applicable as the Target Group recorded a net cash position as at 31 December 2022, 2023, 2024 and 30 June 2025.

As at 30 June 2025, the Target Group had unutilised credit facilities of HK$28.9 million which were committed, unrestricted and could be drawn down at any time.

Charge on assets

As at 31 December 2023, 2024 and 30 June 2025, leasehold land, construction in progress and owned properties with net carrying amount of approximately HK$26.0 million, HK$30.4 million and HK$30.9 million, respectively, were pledged to secure bank borrowings. No leasehold land and properties were pledged as at 31 December 2022.

Save for the above, no assets of the Target Group were charged as security against the bank borrowings.

Foreign currency and hedging

The Target Group conducts its business in the PRC and all transactions are denominated in RMB, therefore, the Target Group has no foreign exchange risk exposure. In addition, the Target Group has not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

Contingent liabilities

As at 31 December 2022, 2023, 2024 and 30 June 2025, the Target Group did not have any material contingent liabilities.

Employee and remuneration policies

As at 30 June 2025, the Target Group had 71 employees based in the PRC. For the year ended 31 December 2024, the Target Group's staff costs primarily consisted of salaries and other benefits of approximately HK$12.9 million.

In order to attract expertise and make good use of human resources to foster smooth business operation, the Target Group has been offering competitive remuneration packages by taking account of market conditions, individual qualifications, experience and performance.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the Target Group did not have any significant investments, material acquisitions and disposals of subsidiaries and associates.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2025, the Target Group had no future plan for material investments or capital assets.

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation

In connection with the major transaction in relation to acquisition of approximately 60% equity interest in 北京信諾海博石化科技發展有限公司 Beijing Sino-Hypro Petrochemical Tech. Co., Ltd. (the "**Target Company**") (the "**Acquisition**"), the unaudited pro forma consolidated statement of assets and liabilities of Yip's Chemical Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and the Target Company and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") (the Group and the Target Group hereinafter collectively referred to as the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**") has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2025 as if the Acquisition had been completed on 30 June 2025.

The Unaudited Pro Forma Financial Information is prepared based on information on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2025, which has been extracted from the published interim report of the Company for the six months ended 30 June 2025, and after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken as at 30 June 2025.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties for illustrative purposes only and, because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2025, nor to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2025, the accountants' report of the Target Group as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

(II) Unaudited Pro Forma Financial Information

*The Unaudited Pro Forma Financial Information as at 30 June 2025 is presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.*

	The Group as at 30 June 2025	The Target Group as at 30 June 2025	Unaudited pro forma adjustments			Pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (5)*	
	(Unaudited)					(Unaudited)
Non-current assets						
Property, plant and equipment	944,622	36,604	–	–	–	981,226
Investment properties	218,606	–	–	–	–	218,606
Interests in associates	1,284,984	–	–	–	–	1,284,984
Financial assets at fair value through profit or loss	16,114	–	–	–	–	16,114
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	897,710	–	–	–	–	897,710
Debt instruments at FVTOCI	72,982	–	–	–	–	72,982
Debt instruments at amortised cost	146,166	–	–	–	–	146,166
Goodwill	59,089	–	–	143,793	–	202,882
Intangible assets	57,742	–	–	137,374	–	195,116
Deposits paid for acquisition of property, plant and equipment and investment properties	17,970	–	–	–	–	17,970
Deferred tax assets	5,649	2,244	–	–	–	7,893
	3,721,634	**38,848**	**–**	**281,167**	**–**	**4,041,649**
Current assets						
Inventories	365,905	11,764	–	–	–	377,669
Trade receivables	1,400,192	144,373	–	–	–	1,544,565
Other debtors and prepayments	165,853	31,166	–	–	–	197,019
Contract assets	–	83,430	–	–	–	83,430
Amounts due from related parties	–	18,121	–	–	–	18,121
Short-term bank deposits with original maturity more than three months	3,689	–	–	–	–	3,689
Bank balances and cash	394,457	35,488	80,395	(315,706)	(3,387)	191,247
Amounts due from associates	76,510	–	–	–	–	76,510
	2,406,606	**324,342**	**80,395**	**(315,706)**	**(3,387)**	**2,492,250**
Total assets	**6,128,240**	**363,190**	**80,395**	**(34,539)**	**(3,387)**	**6,533,899**

	The Group as at 30 June 2025	The Target Group as at 30 June 2025	Unaudited pro forma adjustments			Pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (5)*	
	(Unaudited)					(Unaudited)
Non-current liabilities						
Derivative financial instruments	450	–	–	–	–	450
Lease liabilities	9,282	1,477	–	–	–	10,759
Borrowings – amount due after one year	211,600	12,268	–	–	–	223,868
Deferred tax liabilities	36,040	49	–	20,606	–	56,695
Financial liabilities designated at fair value through profit or loss	–	–	–	83,159	–	83,159
	257,372	**13,794**	**–**	**103,765**	**–**	**374,931**
Current liabilities						
Creditors and accrued charges	880,764	53,304	–	–	–	934,068
Derivate financial instruments	4,151	–	–	–	–	4,151
Contract liabilities	32,026	10,320	–	–	–	42,346
Dividend payables	61,431	–	–	–	–	61,431
Taxation payables	56,963	16,501	–	–	–	73,464
Lease liabilities	3,683	660	–	–	–	4,343
Amounts due to related parties	–	39,750	–	–	–	39,750
Borrowings – amount due within one year	891,546	902	–	–	–	892,448
	1,930,564	**121,437**	**–**	**–**	**–**	**2,052,001**
Total liabilities	**2,187,936**	**135,231**	**–**	**103,765**	**–**	**2,426,932**
Net asset	**3,940,304**	**227,959**	**80,395**	**(138,304)**	**(3,387)**	**4,106,967**

(III) Notes to the Unaudited Pro Forma Financial Information

(1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2025 as set out in the published interim report of the Company for the six months ended 30 June 2025.

(2) The amounts are extracted from the accountants' report of the Target Group as set out in Appendix II to this circular. They represent the assets and liabilities of the Target Group as at 30 June 2025 assuming the Acquisition had taken place on 30 June 2025.

(3) Pursuant to the Acquisition Agreement (as defined in note (4)), the registered capital of the Target Company is required to be fully paid up before completion of the Acquisition. Subsequent to 30 June 2025, the registered share capital of the Target Company has been increased to RMB83,340,000 and it has been fully paid up. This adjustment represents the capital injection from the shareholders of the Target Company to pay up the remaining registered capital of the Target Company of RMB73,340,000 (equivalent to HK$80,395,000).

(4) On 24 October 2025, an indirect wholly-owned subsidiary of the Group, shareholders of the Target Company, a wholly foreign-owned enterprise indirectly owned by such shareholders, and the Target Company entered into a sale and purchase agreement (the "**Acquisition Agreement**"). Pursuant to the Acquisition Agreement, the Group has conditionally agreed to acquire, and the vendors (the "**Vendors**"), being Mr. Zhang Guorui and Ms. Liu Qing, have conditionally agreed to sell an aggregate of approximately 60% equity interest in the Target Company held by them directly at a cash consideration. The Acquisition is a business combination and accounted for using the acquisition method.

The consideration comprises (i) the initial consideration of RMB288,000,000 (equivalent to approximately HK$315,706,000) (the "**Initial Consideration**"); and (ii) (a) the contingent consideration of up to RMB96,000,000 (equivalent to approximately HK$105,235,000) (the "**Final Consideration**"); or (b) the refund of up to RMB33,600,000 (equivalent to approximately HK$36,832,000) (the "**Refund**"), if any, (collectively referred to as the "**Contingent Consideration**"), subject to the performance of the profit guarantee for the performance period (i.e. the 36 months commencing from 1 January 2026 and ending on 31 December 2028) (the "**Performance Period**"). The Initial Consideration and the Final Consideration shall be payable by the Group to the Vendors in cash, or the Refund, if any, shall be payable by the Vendors to the Group in cash. As such, the maximum amount of the consideration would be RMB384,000,000 (equivalent to approximately HK$420,941,000), and the minimum amount of the consideration would be RMB254,400,000 (equivalent to approximately HK$278,873,000).

Upon the expiration of the Performance Period, if the cumulative audited consolidated net profit after tax recorded by the Target Group (the "**Actual Profit**") exceeds RMB300 million, Beijing Xinzhinuo Tech. Co., Ltd. 北京鑫至諾科技有限公司 (the "**WOFE**"), being an entity controlled by the Vendors and the other shareholder of the Target Company at the time of the Acquisition, shall have the right to require the Target Company to distribute a cash dividend arising from the Target Company's profits that meets the current requirements for profit distribution under the Company Law of the PRC (the "**Excess Profit Dividend**"), subject to the Target Company having the necessary cash levels to support its normal operation and development after the said dividend, within 10 business days after the completion of the required audit procedures. The Excess Profit Dividend shall be calculated as 30% of the excess profit of which the Actual Profit exceeds RMB300 million. For the purpose of this calculation, the amount of excess profit shall be capped at RMB300 million. In the opinion of the directors of the Company, the Excess Profit Dividend is a part of the economic benefits to be transferred to Vendors through the entity controlled by the Vendors in order to obtain the control of the Target Company.

The Final Consideration and the Excess Profit Dividend may collectively result in an obligation of the Group to transfer additional assets to the Vendors as part of the exchange for control of the Target Company if specified future events occur or conditions are met. The Refund may also give the Group the right to the return of part of the Initial Consideration previously transferred if specified conditions are met. Accordingly, the Contingent Consideration and the Excess Profit Dividend are collectively the contingent considerations that are accounted for as financial instruments and are measured at fair value through profit or loss under HKFRS 9 "Financial Instruments". For the purpose of preparation of the Unaudited Pro Forma Financial Information, the fair values of the Contingent Consideration and Excess Profit Dividend determined by an independent valuer not connected to the Group are estimated to be RMB74,505,000 (equivalent to approximately HK$81,673,000) and RMB1,356,000 (equivalent to approximately HK$1,486,000) respectively at the date of the Acquisition.

Details on the identifiable net assets of the Target Group acquired by the Group at the date of the Acquisition are illustrated below:

	RMB'000	*HK$'000* *(Note 8)*
Consideration:		
Initial Consideration in cash	288,000	315,706
Contingent Consideration at fair value through profit or loss	74,505	81,673
Excess Profit Dividend at fair value through profit or loss	1,356	1,486
	363,861	398,865
Less: net assets of the Target Group as at 30 June 2025 *(note (i))*	(207,955)	(227,959)
Less: capital injection into the Target Company which forms part of its net assets *(Note (3))*	(73,340)	(80,395)
Less: fair value of intangible assets identified from the Acquisition *(note (ii))*	(125,319)	(137,374)
Add: deferred tax liabilities arising from the recognition of intangible assets *(note (ii))*	18,798	20,606
	(387,816)	(425,122)
Add: non-controlling interests *(note (iii))*	155,126	170,050
Pro forma goodwill arising from the Acquisition *(note (iv))*	131,171	143,793

Notes:

(i) The amount in HK$ represents the net assets of the Target Group as at 30 June 2025 which is extracted from the accountants' report of the Target Group as set out in Appendix II to this circular.

(ii) The intangible assets represent patents of the Target Group separately identified from the Acquisition and the fair value of these items are determined by an independent professional valuer not connected to the Group.

Deferred tax liabilities are calculated at the People's Republic of China (the "**PRC**") Enterprise Income Tax rate of 15% as entities of the Target Group are recognised as High and New Technology Enterprise in the PRC.

(iii) Non-controlling interests are calculated at approximately 40% of the identifiable net assets of the Target Group as at 30 June 2025 acquired by the Group.

(iv) The amounts of goodwill and fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the results of the valuation assessment of the fair values of the identifiable assets and liabilities of the Target Group on the date of the Acquisition. Consequently, the goodwill resulting from the actual allocation of the purchase price at the date of the Acquisition will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company had performed an impairment assessment of the goodwill, intangible assets and property, plant and equipment in accordance with Hong Kong Accounting Standard ("**HKAS**") 36 "Impairment of Assets" and concluded that there would have no impairment of these items.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for goodwill will not be reversed in a subsequent period. The recoverable amount of the Target Group has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against these items in accordance with HKAS 36. The directors of the Company confirmed that they will adopt consistent approach to assess impairment of these items in subsequent periods in accordance with the requirements of HKAS 36.

(5) The adjustment represents the estimated payments of the remaining professional fees in connection with the Acquisition which is charged to profit or loss of the Group.

(6) The above adjustments have not taken into account of RMB268,800,000 loan facility agreement entered into between the Group and a bank in connection with the Acquisition 27 October 2025. The bank loan will be utilised to finance 70% of the Initial Consideration and the Contingent Consideration, if any, and the remaining 30% of the Initial Consideration and the Contingent Consideration will be settled by the internal resources of the Group.

(7) No adjustment has been made to reflect any trading results or other transactions of the Target Group entered into subsequent to 30 June 2025 for the purpose of preparation of the Unaudited Pro Forma Financial Information, including but not limited to payment of dividends of RMB55,030,000 (equivalent to approximately HK$60,324,000) by the Target Group to the Vendors. Had such dividends been declared on 30 June 2025, the unaudited pro forma net assets of the Enlarged Group would have been decreased by approximately HK$60,324,000 to HK$4,046,643,000.

(8) For the purpose of preparation of this Unaudited Pro Forma Financial Information, the exchange rate as at 30 June 2025 adopted by the management of the Company is RMB1.00 to HK$1.0962, which is the prevailing rate as at 30 June 2025 from a public source. No representation is made that RMB amounts have been, could have been or could be converted to HK$, or vice versa, at that rate or at all.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

Deloitte. 德勤

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

To the Directors of Yip's Chemical Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yip's Chemical Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2025 and related notes as set out on pages IV-1 to IV-7 of the circular issued by the Company dated 12 December 2025 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-7 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition (as defined in the Circular) on the Group's financial position as at 30 June 2025 as if the Acquisition had taken place at 30 June 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2025, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

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” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 June 2025 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 12 December 2025

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2025 of the market value of 60.0% equity interest in 北京信諾海博石化科技發展有限公司 (in English, for identification purpose only, Beijing Sino-Hypro Petrochemical Tech. Co., Ltd.) and its subsidiaries.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
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12 December 2025

The Directors
Yip's Chemical Holdings Limited
27th Floor
Fortis Tower
Nos. 77-79 Gloucester Road
Wanchai, Hong Kong

Dear Sirs,

Re: Valuation of 60.0% equity interest in 北京信諾海博石化科技發展有限公司 and its subsidiaries

1. INSTRUCTIONS

We refer to the instructions from Yip's Chemical Holdings Limited (referred to as the "**Company**") for us to provide our independent opinion on the market value of 60.0% equity interest in 北京信諾海博石化科技發展有限公司 (referred to as the "**Target Company**", together with its subsidiaries, collectively referred to as the "**Target Group**").

2. PURPOSE OF VALUATION

The purpose of our valuation is to provide an independent opinion on the market value of 60.0% equity interest in the Target Group as at the date of valuation in relation to the acquisition of 60.0% equity interest in the Target Group by the Company.

3. DATE OF VALUATION

The date of valuation is 30 June 2025.

4. BASIS OF VALUATION

This report has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

5. BACKGROUND OF THE COMPANY, THE TARGET COMPANY AND THE TARGET GROUP

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in Cayman Islands and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 408) since 1991.

The Company is a Hong Kong-based investment holding company principally engaged in chemical businesses. It operates through three segments. Coatings segment is engaged in the manufacture and trading of coatings and related products, such as paints and resins. Inks segment is engaged in the manufacture and trading of inks and related products. Lubricants segment is engaged in the manufacture and trading of lubricants products, such as engine oils, antifreeze fluids, gear oils, automatic transmission fluids, hydraulic oils and heat conducting oils.

Background of the Target Company and the Target Group

The Target Company is a private company with limited liability incorporated in the People's Republic of China (referred to as the "**PRC**") in 2008. The Target Group includes the Target Company and its wholly-owned subsidiaries namely 青島信諾鴻圖環保科技有限公司, 青島飛普思環保科技有限公司 and 青島福蘭達科技有限公司.

The Target Company is a national high-tech enterprise and the Target Group is principally engaged in the research, design, manufacturing and provision of specialised systems solutions for managing chemical vapours emissions generated during the production, storage and transportation of chemicals, oil and gas.

The Target Group holds more than 10 patents and 20 software copyrights covering a wide range of chemical vapours capture and treatment technologies. These technologies are extensively used in managing chemical vapours emissions across industries including petrochemical, coal chemical, oil depot and shipping terminal sectors.

The Target Group provides integrated solutions encompassing equipment, monitoring and control systems designed to enhance chemical vapours capture efficiency and reduce emissions. Its services include engineering design, manufacturing and technical support to ensure operational reliability and compliance with environmental regulations. Its technologies support efforts to minimise industrial emissions and improve resource utilisation in the sectors it serves.

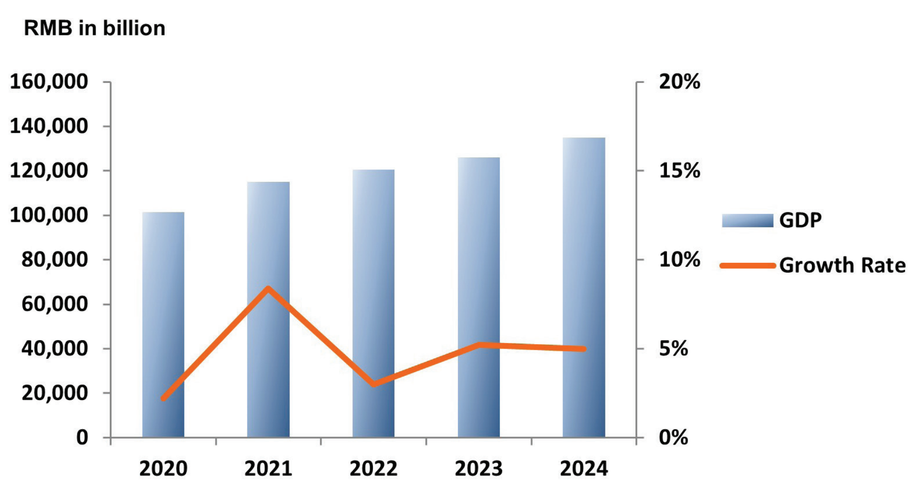
On 24 October 2025, 葉氏清源管理（深圳）有限公司 (referred to as the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, two vendors (referred to as the "**Vendors**"), the Target Company and a wholly foreign-owned enterprise (referred to as the "**WFOE**") entered into an acquisition agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell an aggregate of approximately 60.0% equity interest in the Target Company (referred to as the "**Acquisition**").

6. INDUSTRY OVERVIEW

The PRC Economy

The national economy of the PRC continued to recover in 2024 after COVID-19 prevention and control. As illustrated in Figure 1 below, the gross domestic product (GDP) of the year was RMB134,908 billion, up by 5.0% over the previous year. Of this total, the value added of the primary industry was RMB9,141.4 billion, up by 3.5% year-over-year (yoy), that of the secondary industry was RMB49,208.7 billion, up by 5.3% yoy and that of the tertiary industry was RMB76,558.3 billion, up by 5.0% yoy. The value added of the primary industry accounted for 6.8% of the GDP, that of the secondary industry accounted for 36.5%, and that of the tertiary industry accounted for 56.7%.

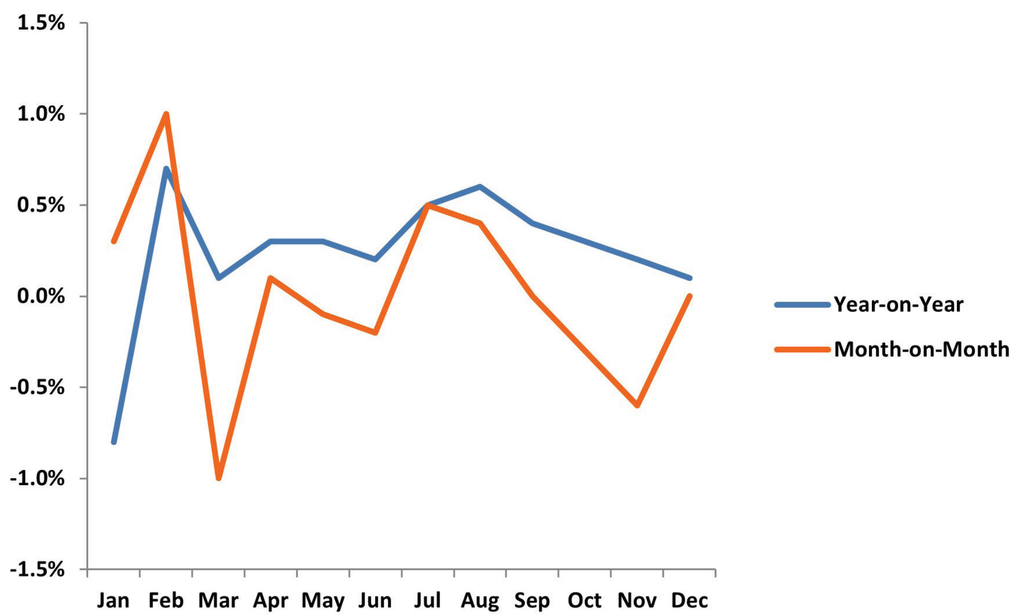
Figure 1: Gross Domestic Product in the PRC, 2020-2024



Source: National Bureau Statistics of China

The consumer prices increased slightly by 0.2% yoy in 2024. The prices for food, tobacco and alcohol decreased by 0.1%, clothing up by 1.4%, housing increased by 0.1%, articles and services for daily use increased by 0.5% and transportation and communication went down by 1.9%. In December 2024, the national consumer price index (CPI) increased by 0.1% year on year. Among them, the price in urban areas increased by 0.1% and the price in rural areas was flat; the price for food decreased by 0.5% and for non-food increased by 0.2%; prices for consumer goods decreased by 0.2% and for services increased by 0.5%.

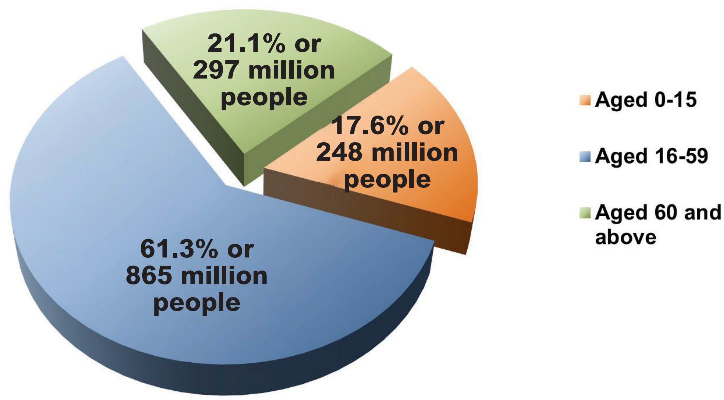
Figure 2: Monthly Changes in Consumer Prices, 2024



Source: National Bureau Statistics of China

According to Figure 3, the total number of the PRC's population reached 1,408.3 million by the end of 2024, a decrease of 1.39 million from the end of 2023. The number of urban permanent residents has increased to 943.50 million, accounting for 67.0% of the total population. In 2024, 9.54 million of births have recorded with a crude birth rate of 6.77 per thousand, and 10.93 million of deaths with a crude death rate of 7.76 per thousand. The natural growth rate was –0.99 per thousand.

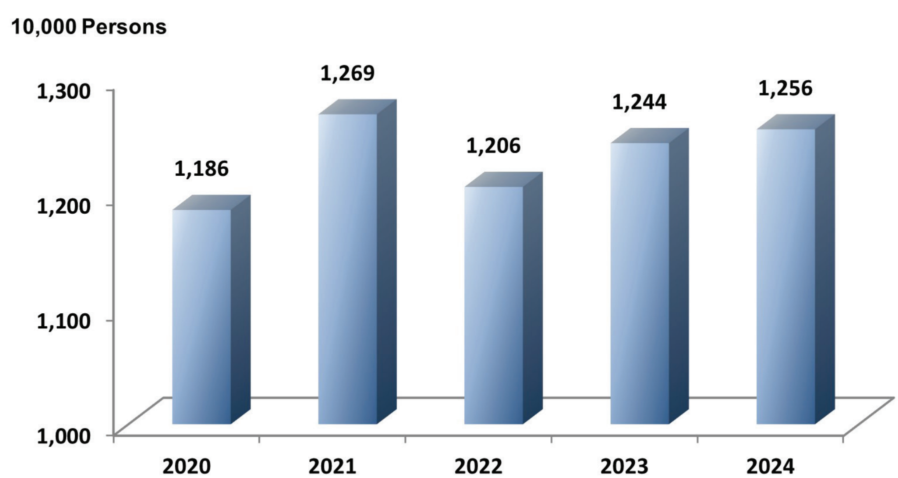
Figure 3: Population Age Composition, 2024



Source: National Bureau Statistics of China

As illustrated in Figure 4 below, the number of newly increased employed people in urban areas was 12.56 million in 2024, 0.12 million more than that of the previous year. The surveyed urban unemployment rate at the end of the year was 5.1%. The total number of migrant workers was 299.73 million, up by 0.7% over that of 2023. Specifically, the number of migrant workers who left their hometowns and worked in other places was 178.71 million, up by 1.2%, and those who worked in their own localities reached 121.02 million, up by 0.1%.

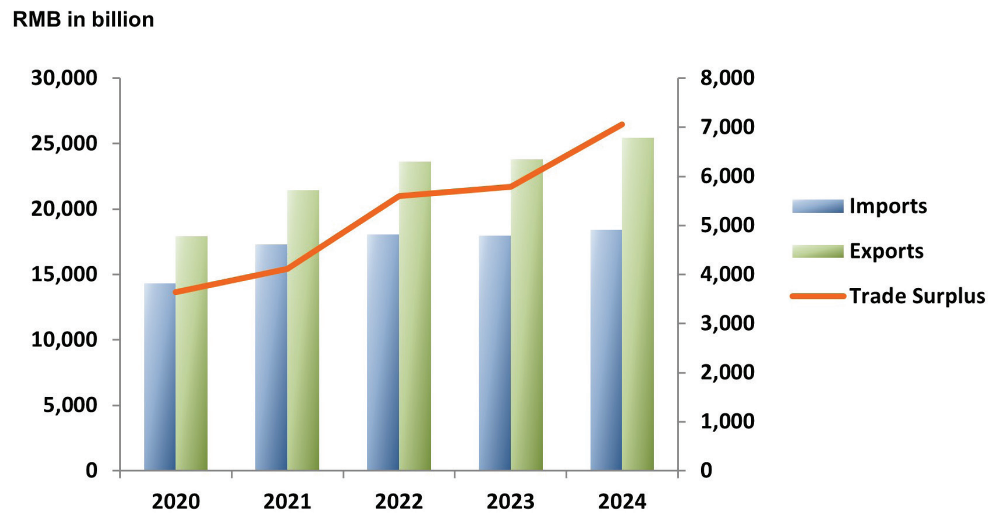
Figure 4: Newly Increased Employed Persons in Urban Areas, 2020-2024



Source: National Bureau Statistics of China

As illustrated in Figure 5 below, the total value of imports and exports of goods in 2024 reached RMB43,846.8 billion, up by 5.0% over that of the previous year. The value of goods exported was RMB25,454.5 billion or went up by 7.1% and the value of goods imported was RMB18,392.3 billion or up by 2.3%. The net exports (exports minus imports) reached RMB7,062.2 billion, up by RMB1,273.9 billion over that of the previous year.

Figure 5: Imports and Exports of Goods, 2020-2024



Source: National Bureau Statistics of China

Chemical Vapours Treatment Industry in the PRC

Volatile organic compounds (VOCs) is a major kind of chemical vapours. They are air pollutants with a boiling point of 50˚C – 260˚C at normal temperature and pressure. VOCs directly contribute to photochemical smog and worsen haze pollution. They are also a significant source of PM2.5 and ozone (O_3), which can chemically react with atmospheric substances like sulphur dioxide (SO_2) and nitrogen oxides (NO_X), leading to secondary pollution. Long-term exposure to VOCs can impact human health, causing respiratory diseases, sick-building syndrome and even cancer.

Statistically, the most polluted areas of VOCs are mainly in Asia and Africa. It has been demonstrated that anthropogenic VOCs emissions in the PRC increased by 11% between 2010 and 2017. Industrial VOCs emissions saw a significant rise, with a 21% increase in concentration, while emissions from other sources are decreasing. Without treatment of VOCs, the generation of VOCs is projected to increase by 22.91% from 2019 to 2025. As a result, research on VOCs pollution control has become a significant global issue, particularly in the PRC. During the "14th Five-Year Plan" period, the PRC has incorporated volatile organic pollutants as binding indicators of atmospheric environmental quality, replacing sulphur dioxide. Preventing and controlling VOCs pollution will be a key focus of air pollution control. To align with the state's objectives to protect the environment and ensure human health, increasing the treatment of VOCs is imminent.

VOCs come from a wide range of sources and have a complex structure, which makes managing them difficult and complex. The main sources of VOCs are classified into two categories: natural sources and anthropogenic sources. Natural sources mainly include emissions from green vegetation, which are uncontrollable. Anthropogenic sources, on the other hand, are caused by human activities and are the main source of VOCs emissions. These sources are further divided into industrial sources, transport sources and domestic sources, with industrial sources accounting for the largest proportion of emissions, at about 43%. The main industries that produce VOCs include petrochemicals, printing, machinery coating and rubber processing. It is important to effectively control these industries to manage VOCs.

The control and management of VOCs are usually achieved through three routes: source containment, process control and end-of-pipe management. Source containment refers to the selection of process routes and raw materials, as far as possible, the use of VOCs-free raw materials for production; process control refers to the emission control improvement of existing production process to reduce the generation of VOCs by sealing of each link in the process; the end-of-pipe management refers to the use of physical or chemical means for the collection and treatment of VOCs emitted from the production process.

7. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of the Target Group provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industry information and statistical figures from publicly available sources.

8. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed the senior management of the Company in respect of the core operation of the Target Group;
- Obtained relevant financial and operational information in respect of the Target Group from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of the Target Group provided by the senior management of the Company;
- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

9. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Group is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Target Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

- The products and/or services of the Target Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Group or similar products and/or services; and

- The market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorised entity or organisation that will affect the operation of the Target Group have been obtained or can be obtained upon request with an immaterial cost;

- The core operation of the Target Group will not differ materially from those of present or expected;

- The financial and operational information in respect of the Target Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;

- The Target Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Group;

- The Target Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and/or working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- The senior management of the Target Group will implement only those prospective financial and operational strategies that will maximise the efficiency of the operation of the Target Group;

- The senior management of the Target Group has sufficient knowledge and experience in respect of the operation of the Target Group, and the turnover of any director, management or key person will not affect the operation of the Target Group;

- The senior management of the Target Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Group; and

- The senior management of the Target Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Group.

10. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortisation expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and/or investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

The income approach was considered inappropriate as it heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value.

The cost approach was also considered inappropriate as the replication cost of the Target Group may not represent the value of the Target Group.

11. VALUATION METHODOLOGY

Under the market approach, the guideline company method was adopted in the valuation. The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset, with adjustments of control premium and discount for lack of marketability if applicable. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to the Target Group were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

12. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to the Target Group (referred to as the "**Comparable Companies**").

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The selection criteria of the Comparable Companies are as follows:

- The Comparable Companies mainly operates in the PRC;
- The Comparable Companies are principally engaged in the manufacturing and sale of equipment, provision of environmental services and solutions in relation to oil and gas pollutant treatments;
- Shares of the Comparable Companies are listed on a major stock exchange; and
- Detailed financial and operational information in respect of the Comparable Companies are available from publicly available sources.

Selected Comparable Companies

Given the above-mentioned selection criteria, the Comparable Companies were considered to be fair and representative samples. The list of Comparable Companies is exhaustive based on the selection criteria. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Ruichang International Holdings Limited
Stock Code	:	1334 HK
Stock Exchange	:	Hong Kong Stock Exchange
Company Description	:	Ruichang International Holdings Limited operates as a petroleum refinery and petrochemical equipment manufacturer. It produces solvent recovery unit and VOCs incineration equipment, catalytic cracking equipment, process burners, heat exchangers and more.

Comparable Company 2

Name of Company	:	Contiocean Environment Tech Group Co., Limited
Stock Code	:	2613 HK
Stock Exchange	:	Hong Kong Stock Exchange
Company Description	:	Contiocean Environment Tech Group Co., Limited provides maritime environmental protection solutions. It offers marine exhaust gas cleaning solutions, marine energy saving and carbon reduction solutions, marine clean energy supply solutions and others.

Comparable Company 3

Name of Company	:	Fujian Longking Co., Limited
Stock Code	:	600388 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	Fujian Longking Co., Limited manufactures and markets environmental pollution control equipment. It produces dust removal equipment, desulphurisation equipment and other equipment.

Comparable Company 4

Name of Company	:	Shanghai Sheng Jian Environment Technology Co., Limited
Stock Code	:	603324 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	Shanghai Sheng Jian Environment Technology Co., Limited manufactures pollution control equipment. It produces waste incinerators, exhaust gas treatment equipment, air ducts and other equipment. It also provides wet electronics chemical supply, recycling system development and other services.

Comparable Company 5

Name of Company	:	Zhejiang Tengy Environmental Technology Co Limited
Stock Code	:	1527 HK
Stock Exchange	:	Hong Kong Stock Exchange
Company Description	:	Zhejiang Tengy Environmental Technology Co Limited is an atmospheric pollution control solutions provider. It provides precipitators & installations.

Comparable Company 6

Name of Company	:	Yonker Environmental Protection Company Limited
Stock Code	:	300187 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company Description	:	Yonker Environmental Protection Company Limited provides gas emission comprehensive solutions to high pollution and high energy-consuming industrial enterprises. Its business covers emission reduction and energy conservation.

Price Multiple

In the course of our valuation, we have considered various price multiples including the enterprise value (EV)-to-sales multiple (EV/S), enterprise value (EV)-to-earnings before interest, taxes, depreciation and amortisation (EBITDA) (EV/EBITDA) multiple, price-to-sales (P/S) multiple, price-to-earnings (P/E) multiple and the price-to-book (P/B) multiple.

EV/S and P/S are not appropriate for the valuation of the Target Group as they cannot reflect the profitability of the Target Group.

P/E is not appropriate as it does not capture the financial leverage and other related risk feature across the Target Group and Comparable Companies.

P/B multiple is not appropriate for the valuation of the Target Group as the book value only captures the company's tangible assets but does not capture any intangible assets, company specific competencies and advantages.

We have considered EV/EBITDA multiple the most appropriate in the valuation of the Target Group as the Target Group was continuously profitable in recent years. EV/EBITDA multiple was a commonly adopted price multiple which relates the business value of a company to its profitability. Further, EV/EBITDA is appropriate as it can factor in differences in balance sheet positions between the Target Group and the Comparable Companies.

EV is calculated using the following formula:

EV= Market Cap + PE + MI + ST Debt + LT Debt – Cash

Where:

EV	=	enterprise value
Market Cap	=	market capitalisation
PE	=	preferred equity
MI	=	minority interest
ST Debt	=	short-term debt
LT Debt	=	long-term debt
Cash	=	cash and cash equivalents

The EV/EBITDA multiples of the Comparable Companies before adjustment for size are as follows:

Stock Code	Company Name	EV/EBITDA
1334 HK	Ruichang International Holdings Limited	NA *(Note 1)*
2613 HK	Contiocean Environment Tech Group Co., Limited	13.12
600388 CH	Fujian Longking Co., Limited	11.58
603324 CH	Shanghai Sheng Jian Environment Technology Co., Limited	25.50
1527 HK	Zhejiang Tengy Environmental Technology Co Limited	NA *(Note 2)*
300187 CH	Yonker Environmental Protection Company Limited	19.59
	Average:	17.40

Note 1: EV/EBITDA is not available due to negative EBITDA.

Note 2: EV/EBITDA is not available due to negative EV.

Adjustment of EV/EBITDA Multiples for Size

The Comparable Companies are often of significantly different size from the Target Group. Larger companies are generally perceived as less risky in relation to business operation and financial performance, and thus the expected returns are lower and resulting in higher multiples. Therefore, the base multiples were adjusted to reflect the difference in size between the Comparable Companies and the Target Group.

The adjusted EV/EBITDA multiples were calculated using the following formula:

*Adjusted EV/EBITDA Multiple = 1/((1/M) + α * ε * θ)*

Where:

M	=	*The base EV/EBITDA multiple*
α	=	*The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the Comparable Companies*
ε	=	*The ratio of the equity value to the enterprise value of the Comparable Companies*
θ	=	*Required adjustment in the equity discount rate for difference in size*

M is the base EV/EBITDA multiple and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalisation rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalisation rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the Comparable Companies and the Target Group. With reference to the 2024 edition of CRSP Deciles Size Study published by Cost of Capital Navigator by Kroll, LLC. (https://www.kroll.com/en/tools-and-platforms/cost-of-capital), size premium differentials of 0.00%-4.47% were adopted to capture how much the market capitalisation of each of the comparable companies is larger than the market value of the Target Group.

The ratio of EBITDA to net operating profit after tax ("**NOPAT**") was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit. EBITDA and NOPAT of comparable companies are obtained from publicly available sources.

The total adjustment and adjusted EV/EBITDA multiples of the Comparable Companies are as follows:

Stock Code	Company Name	Total adjustment ($\alpha * \varepsilon * \theta$)	Adjusted EV/EBITDA
1334 HK	Ruichang International Holdings Limited	0.00%	NA *(Note 1)*
2613 HK	Contiocean Environment Tech Group Co., Limited	0.00%	13.12
600388 CH	Fujian Longking Co., Limited	4.90%	7.39
603324 CH	Shanghai Sheng Jian Environment Technology Co., Limited	4.12%	12.44
1527 HK	Zhejiang Tengy Environmental Technology Co Limited	0.00%	NA *(Note 2)*
300187 CH	Yonker Environmental Protection Company Limited	12.56%	5.66
		Average:	9.65

Note 1: EV/EBITDA is not available due to negative EBITDA.

Note 2: EV/EBITDA is not available due to negative EV.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Target Group is unlikely to undergo public offering and shares of the Target Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, with reference to the 2024 edition of Stout Restricted Stock Study published by Business Valuation Resources, LLC. (https://www.bvresources.com/products/the-stout-restricted-stock-study/), an average discount for lack of marketability of 20.97% has been adopted in the valuation.

Control Premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiples adopted in the valuation were calculated from publicly listed companies, which represent minority ownership interest. Thus, control premium was adopted to adjust such minority interest value to controlling interest value.

According to the Mergerstat Control Premium Study (2nd Quarter 2025) published by FactSet Mergerstat, LLC. (https://www.bvresources.com/products/factset-bvr-control-premium-study/), control premium is expressed as a percentage of the unaffected marketable minority price per share. Completed transactions whereby 50.01% or more of a company was acquired and where target companies were publicly traded have been examined in the Mergerstat Control Premium Study. We adopted the average premium of 29.60% as the control premium for the valuation of the Target Group.

Adopted Parameters of Valuation

The market value of 60.0% equity interest in the Target Group calculated using EV/EBITDA multiple is determined as follows:

	(RMB)
EBITDA of the Target Group for the latest 12-month period ending 30 June 2025	74,971,875
Average of adjusted EV/EBITDA multiples of the Comparable Companies	9.65
Enterprise value of the Target Group	**723,591,040**
Less: Debt as at 30 June 2025	(13,963,000)
Less: Pre-Completion dividends payable as at 30 June 2025 *	(113,340,000)
Add: Cash and cash equivalent as at 30 June 2025	32,373,000
Market value of 100% equity interest in the Target Group (before adjusting the DLOM and control premium)	**628,661,040**
Less: Discount for lack of marketability (20.97%)	(131,830,220)
Add: Control premium (29.60%)	147,061,923
Market value of 100% equity interest in the Target Group	**643,892,743**
Equity interest under valuation	60.0%
Market value of 60.0% equity interest in the Target Group	**386,335,645**

* *Pre-Completion dividends payable represented the dividends amount to be distributed to the Vendors and the WFOE after 30 June 2025 and prior to the completion of the Acquisition.*

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, the Purchaser, the Vendors, the WFOE, the Target Group or the result reported. In addition, our directors are neither directors nor officers of the Company, the Purchaser, the Vendors, the WFOE or the Target Group.

In the course of our valuation, we are acting independently of all parties.

Our fees are agreed on a lump-sum basis and are not correlated with the result as stated in this report.

14. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

15. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, the Purchaser, the Vendors, the WFOE, the Target Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the market value of 60.0% equity interest in 北京信諾海博石化科技發展有限公司 and its subsidiaries (i.e. the Target Group) as at 30 June 2025 was **RMB386,000,000 (RENMINBI THREE HUNDRED AND EIGHTY SIX MILLION ONLY)**.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc(Bldg), MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, FRSM, CPA UK, SIFM, FCMA,
FRSS, MCIArb, MASCE, MHKIE, MIEEE, MASME, MIIE, MASM, MIET
Managing Director

Note:

Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of Royal statistical Society, Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in the Asia-Pacific region.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and short positions in securities

As at the Latest Practicable Date, to the best of the Company's knowledge, save for the interest of the Directors and chief executives of the Company in the Shares and share options of the Company set out below, none of the Directors and chief executives had interest and/or short position in the Shares, debentures or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

Directors' and the chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company

	Number of Shares and underlying Shares interested or deemed to be interested					
Name of the Directors	**Interests in Shares** *Personal*	**Interests in Shares** *Family*	**Interests in Shares** *Corporate*	**Interests in Shares** *Treasury Shares*	**Total**	**Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date**[e]
Mr. Ip Chi Shing	161,304,532	9,192,000 [a]	26,504,000 [b]	10,024,000 [c]	207,024,532	36.42%
Mr. Yip Tsz Hin	27,200,000	13,000,000 [d]	–	–	40,200,000	7.07%
Mr. Ip Kwan	26,869,000	–	–	–	26,869,000	4.73%
Mr. Ho Sai Hou	–	–	–	–	–	–
Mr. Ho Pak Chuen, Patrick	–	–	–	–	–	–
Mr. Ku Yee Dao, Lawrence	–	–	–	–	–	–
Ms. Yau Ching Man	–	–	–	–	–	–

Notes:

(a) Out of these Shares, 7,098,000 Shares are jointly held by Mr. Ip Chi Shing with his spouse and 2,094,000 Shares are held by his spouse.

(b) These Shares are held respectively by Ip Chi Shing Charitable Foundation Limited, a charitable organisation (21,200,000 Shares) and Yip's Care Extension Foundation Limited, a limited company (5,304,000 Shares). Mr. Ip Chi Shing controls 50% (together with his spouse control 100%) and 60% (together with his younger sister and brother control 100%) of the voting power at the general meetings of Ip Chi Shing Charitable Foundation Limited and Yip's Care Extension Foundation Limited, respectively. He is therefore deemed to be interested in these Shares held by these two corporations under the SFO.

(c) Mr. Ip Chi Shing, who controls over one-third of the voting power at the Company's general meeting, is deemed to have an interest in the 10,024,000 treasury Shares held by the Company pursuant to Part XV of the SFO.

(d) These Shares are held by Madam Yip Tso Ka Lai, Brenda, the spouse of Mr. Yip Tsz Hin.

(e) The percentages are calculated based on the number of issued Shares (including treasury Shares) as at the Latest Practicable Date, i.e. 568,484,096 Shares.

(ii) Substantial Shareholders' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, to the best of the Company's knowledge, the following Shareholders (other than the Directors or chief executives of the Company disclosed above) had an interest or long position or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered in the register referred therein:

Name of substantial Shareholder	Capacity	Number of Shares and underlying Shares interested or deemed to be interested	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date[(a)]
Ms. Ip Fung Kuen	Beneficial Owner	49,381,913(L)	8.69%

(L) denotes long positions

Note:

(a) The percentage is calculated based on the number of issued Shares (including treasury Shares) as at the Latest Practicable Date, i.e. 568,484,096 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company and the Stock Exchange pursuant to Part XV of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors and their respective close associates had any business which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any interest, either directly or indirectly, in any asset which has been, and up to the Latest Practicable Date, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Enlarged Group to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within two years immediately preceding the date of the Latest Practicable Date:

(i) the state-owned land reserve agreement (the "**Land Resumption Agreement**") dated 17 January 2025, entered into among (i) Bauhinia Coatings Manufacturing (Shanghai) Co., Limited ("**Bauhinia Coatings**"), an indirect wholly-owned subsidiary of the Company; (ii) Shanghai Jinshan District Land Reserve Centre# (上海市金山區土地儲備中心); and (iii) Shanghai Carbon Valley Green Bay Industrial Park Management Committee# (上海碳谷綠灣產業園管理委員會) (the "**Committee**"), in relation to the disposal of the right of use of a parcel of land (the "**Target Land**") situated at Jinshan District, Shanghai by the Group for a cash consideration of RMB69,110,000 (then equivalent to approximately HK$74,342,000), as set out in the announcement of the Company dated 17 January 2025;

(ii) the supplemental agreement dated 17 January 2025, a supplement to the Land Resumption Agreement, entered into between Bauhinia Coatings and the Committee to set out the parties' obligations on the reinstatement works to be carried out and the allocation of costs in relation to vacation of the Target Land between Bauhinia Coatings and the Committee respectively as set out in the announcement of the Company dated 17 January 2025; and

(iii) the Acquisition Agreement.

9. EXPERTS AND CONSENTS

The following sets out the names and qualifications of the experts who have given an opinions or advice or statements as contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
BMI Appraisals Limited	Independent valuer

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, none of the experts above had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Ho Sai Hou, who is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(ii) The registered office of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(iii) The head office and principal place of business of the Company in Hong Kong is at 27/F., Fortis Tower, Nos. 77-79 Gloucester Road, Wanchai, Hong Kong.

(iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(v) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.yipschemical.com) and the Stock Exchange (www.hkexnews.hk) for a period of not less than 14 days commencing from the date of this circular:

(i) the Acquisition Agreement;

(ii) the accountants' report of the Target Group, the text of which is as set out in Appendix II to this circular;

(iii) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(iv) the Valuation Report, the text of which is set out in Appendix V to this circular; and

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