



17 March 2026

*To: The Independent Board Committee and the Independent Shareholders of Denox Environmental & Technology Holdings Limited*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTION IN  
RELATION TO THE TECHNICAL SUPPORT  
FRAMEWORK AGREEMENT**

**INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the entering into of the Technical Support Framework Agreement and the transactions contemplated thereunder (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 17 March 2026 (the “**Circular**”), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

Reference is made to the announcement of the Company dated 11 February 2026 (the “**Announcement**”) in relation to, among other things, the Exclusivity License Agreement and the Technical Support Framework Agreement.

On 11 February 2026 (after trading hours of the Stock Exchange), Beijing Denox, an indirect wholly-owned subsidiary of the Company and Hainan Botuo entered into:

- (a) the Exclusivity License Agreement, pursuant to which Hainan Botuo agreed (i) to grant to the Group the exclusive right to use the HB DeCO Catalyst Formula; (ii) not to use the HB DeCO Catalyst Formula for any other commercial purposes during such period; and (iii) to grant to Beijing Denox the pre-emption right to use other catalyst formula to be developed by Hainan Botuo and/or HB Partners, during the period commencing from the date of the Exclusivity License Agreement to 31 December 2028 (both days inclusive), in consideration of a License Fee of RMB8,100,000; and

- (b) the Technical Support Framework Agreement, pursuant to which Hainan Botuo agreed to provide the Technical Support Services to the Group for the manufacture of HB DeCO Catalysts based on the HB DeCO Catalyst Formula for a term commencing from the Effective Date to 31 December 2028 (both days inclusive) in consideration of the Service Fee and the Performance Fee to be paid by the Group.

In particular, pursuant to the Technical Support Framework Agreement, Hainan Botuo shall provide the Group with the Technical Support Services in connection with the use of the HB DeCO Catalyst Formula by the Group for the manufacture of HB DeCO Catalysts and for Pilot Testing to meet customer specifications. To support the provision of technical services required for each product supplied under individual HB DeCO Catalyst Supply Contract, the Group and Hainan Botuo shall enter into separate Service Agreement specifying the scope of technical support services to be provided by Hainan Botuo to Beijing Denox and the corresponding service fees.

### **Listing Rules implications**

As at the date of the Technical Support Framework Agreement and as at the Latest Practicable Date, Hainan Botuo is wholly-owned by Mr. Chen, who is the son of Ms. Zhao, the chairlady of the Board, an executive Director, the Chief Executive Officer of the Group and a controlling Shareholder. Mr. Chen is an associate of Ms. Zhao and Hainan Botuo is also an associate of a connected person of the Company under Rule 14A.07 of the Listing Rules.

As Hainan Botuo is an associate of a connected person of the Company under Rule 14A.07 of the Listing Rules, and the Technical Support Framework Agreement is continuing in nature, the entering into of the Technical Support Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the fees payable under the Technical Support Framework Agreement are more than 5%, the transactions contemplated under the Technical Support Framework Agreement (including the Annual Caps) are subject to the reporting, announcement, circular (including independent financial advice), Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the transactions shall abstain from voting at the EGM to be convened by the Company for considering and approving the Technical Support Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). As at the Latest Practicable Date, Ms. Zhao and Advant Performance Limited (which is wholly-owned by Ms. Zhao) hold an aggregate of 276,451,486 Shares, representing approximately 46.63% of the issued Shares of the Company, and are required to abstain from voting on the relevant resolution(s) at the EGM. As at the Latest Practicable Date, Mr. Chen does not hold any issued Shares.

Save for the aforementioned and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Technical Support Framework Agreement and the transactions contemplated thereunder and will be required to abstain from voting on the relevant resolution(s) at the EGM.

Ms. Zhao has abstained from voting on the Board resolution approving the Technical Support Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

Save as disclosed above, no other Director has a material interest in the Technical Support Framework Agreement and the transactions contemplated thereunder and was required to abstain from voting on the Board resolutions in relation to the aforesaid matters.

#### **THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Technical Support Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. We, Red Solar Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

#### **OUR INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, other than this engagement of us as the Independent Financial Adviser, no other engagement nor relationship has been formed between us and the Group, the other party(ies) to the Transactions, or close associate or core connected person of any of them. As at the Latest Practicable Date, we did not have any interest in the Group, the other party(ies) to the Transactions, close associate or core connected person of any of them, or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us by the Company in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group, the other party(ies) to the Transactions, or close associate or core connected person of any of them.

Based on the above, we considered ourselves independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

#### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed documents including but not limited to (i) the Announcement; (ii) the Circular and the Letter from the Board contained therein; (iii) the Technical Support Framework Agreement; (iv) the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”); (v) the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”); and (vi) relevant supporting documents provided by the Company to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all

material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted our own desktop search and we are not aware of material deviation between our search results and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any material fact or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us up to the Latest Practicable Date, which could be subject to subsequent developments and changes from time to time. Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been carefully extracted. We have not, however, conducted any independent in-depth investigation nor verification of such information.

The Directors have collectively and individually accepted full responsibility for the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the 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 in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

### **1. Background of and reasons for the Transactions**

#### **(a) *Background information of the Company and the Group***

The Company is an investment holding company with its principal subsidiaries engaged in design, development, manufacture and sales of denitration catalysts in the PRC.

The following table sets out key consolidated financial information of the Group for each of the two years ended 31 December 2024 (“FY2023” and “FY2024”, respectively) and the six months ended 30 June 2024 and 2025, respectively (“6M2024” and “6M2025”, respectively), as extracted from the 2024 Annual Report and 2025 Interim Report:

	<b>For 6M2025</b>	<b>For 6M2024</b>	<b>For FY2024</b>	<b>For FY2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	69,714	52,264	108,963	126,392
Gross profit	11,943	13,460	27,460	24,528
(Loss) for the period/year	(7,062)	(9,657)	(37,327)	(25,434)
		<b>As at 30</b>	<b>As at 31</b>	<b>As at 31</b>
		<b>June 2025</b>	<b>December</b>	<b>December</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)	(audited)
Total current assets		398,092	387,280	325,106
Total non-current assets		47,930	49,644	46,019
Total assets		446,022	436,924	371,125
Total current liabilities		309,977	297,170	203,043
Total non-current liabilities		14,215	8,596	4,116
Total liabilities		324,192	305,766	207,159
Net assets		121,830	131,158	163,966

*Comparison of performance between FY2023 and FY2024*

The Group recorded total revenue of approximately RMB109.0 million for FY2024, representing a decrease of 13.8% from approximately RMB126.4 million in FY2023. This decline was primarily driven by a substantial reduction in sales from the vehicle catalysts segment, partially offset by growth in the honey-comb catalysts segment. In particular, from FY2023 to FY2024, (i) revenue from Plate-type DeNOx catalysts, which primarily serve markets such as power plants, steel plants, and cement plants, decreased by 8.5% from approximately RMB58.5 million to approximately RMB53.5 million, mainly due to a drop in average selling price per cubic meter despite an increase in sales volume; (ii) revenue from Honey-comb DeNOx catalysts, which also primarily target power, steel, and cement industries, increased by 136.0% from approximately RMB21.1 million to approximately RMB49.8 million, attributed to a 204.5% surge in sales volume, offsetting a 30.9% decline in average selling price per cubic meter; and (iii) revenue from DeNOx catalysts for vehicles fell sharply by 87.8% from approximately RMB46.7 million to approximately RMB5.7 million reflecting reduced orders and a strategic contraction of this segment.

Gross profit rose by 12.2% to approximately RMB27.5 million in FY2024 from approximately RMB24.5 million in FY2023. This improvement was primarily attributed to increased production volumes in the honey-comb segment, which lowered unit production costs. The gross profit margin expanded from 19.4% in FY2023 to 25.2% in FY2024, benefiting from cost efficiencies despite downward pressure on selling prices across segments.

The Group reported a net loss of approximately RMB37.3 million in FY2024, widening by 46.8% from approximately RMB25.4 million in FY2023. This deterioration was influenced by higher administrative expenses, impairments, and the revenue decline in the vehicle segment, despite gross profit gains.

#### *Comparison of performance between 6M2024 and 6M2025*

The Group recorded total revenue of approximately RMB69.7 million for 6M2025, representing an increase of 33.3% from approximately RMB52.3 million in 6M2024. This growth was primarily driven by a significant surge in sales from the honey-comb catalysts segment, partially offset by declines in the plate-type and vehicle catalysts segments. In particular, between 6M2024 to 6M2025, (i) revenue from Plate-type DeNOx catalysts decreased by 80.8% from approximately RMB38.0 million to approximately RMB7.3 million, mainly due to reductions in both average selling price and sales volume; (ii) revenue from Honey-comb DeNOx catalysts increased by 467.3% from approximately RMB10.7 million to approximately RMB60.7 million, attributed to a substantial rise in sales volume; and (iii) revenue from DeNOx catalysts for vehicles declined by 52.8% from approximately RMB3.6 million to approximately RMB1.7 million, reflecting fewer sales orders.

Gross profit decreased to approximately RMB11.9 million in 6M2025 from approximately RMB13.5 million in 6M2024. This reduction was primarily influenced by lower average selling prices in the plate-type and honey-comb segments, despite the revenue and sale volume growths in honey-comb catalysts. The gross profit margin contracted from 25.8% in 6M2024 to 17.1% in 6M2025, impacted by competitive pricing pressures.

The Group reported a net loss of approximately RMB7.1 million in 6M2025, an improvement of 26.9% from approximately RMB9.7 million in 6M2024. This narrowing of losses was mainly driven by revenue growth, reduced administrative expenses, and higher net finance income, despite lower gross profit.

#### *Comparison of financial positions*

Total assets rose from approximately RMB371.1 million as at 31 December 2023 to approximately RMB436.9 million as at 31 December 2024, and further to approximately RMB446.0 million as at 30 June 2025, which were mainly driven by increases in inventories and bank deposits or cash balances. Meanwhile, total liabilities also went up from approximately RMB207.1 million as at 31 December 2023 to approximately RMB305.8 million as at 31 December 2024, and further to approximately RMB324.2 million as at 30 June 2025, which were mainly driven by increases in current liabilities including contract liabilities.

### *Prospects*

The Company is cautiously optimistic on its future prospects, with expectations to continue focusing on industrial catalyst business in 2025 and beyond, expanding market share in emerging sectors like CO catalysts, waste incineration, biomass, and metallurgy, optimizing production processes to reduce costs, and reviewing overseas strategies in mid-2025 to achieve profitability turnaround. While the power industry DeNOx catalysts, both traditional honeycomb and plate-type, remains the principal market and focus of the Group, the Group also continued to strengthen the research and development of industrial catalysts while controlling research and development expenses, where in the first half of 2025, the Group carried out research and development work on more than ten catalyst products with good market application prospects, progressively promoted the products from laboratory development to pilot-scale production, customer field trials, and securing volume production orders, and generally achieved good research and development achievements. In contrast, the contraction of the vehicle DeNOx catalysts segment is aimed for reallocating resources, allowing focus on higher-margin industrial opportunities. On the other hand, the Group must also address intensifying competition, pricing pressures, and ongoing loss risks.

#### *(b) Reasons for and benefits of the Transactions*

As set out in the Letter from the Board, in response to the greenhouse gas emission issue of the steel industry, China has implemented comprehensive policies to advance carbon peaking and carbon neutrality, with the decarbonisation (DeCO) of the steel industry identified as a key priority. Particularly, the Company noted that on 23 May 2024, the State Council of the PRC issued the 2024-2025 Energy Conservation and Carbon Reduction Action Plan (2024-2025年節能降碳行動方案) (the “**Action Plan**”), which establishes binding intensity targets for energy consumption and CO<sub>2</sub> emissions and mandates sector-specific measures. For heavy industries, including steel manufacturing, the Action Plan emphasises accelerated energy-efficiency retrofits, stricter control over fossil fuel consumption, and enhanced carbon-intensity management. These measures are supported by complementary policies, such as central government budget investments, government-guided funds, and green finance initiatives, aimed at reducing the cost of decarbonization projects. The Action Plan also links implementation progress to performance assessment and compliance mechanisms to ensure the achievement of the targets set out in the “14th Five-Year Plan”. Subsequently, on 27 May 2024, the National Development and Reform Commission of the PRC, together with four other ministries, promulgated the Special Action Plan for Energy Conservation and Carbon Reduction in the Steel Industry (鋼鐵行業節能降碳專項行動計劃) (the “**Special Action Plan**”, together with the Action Plan, the “**Plans**”), which sets out specific carbon reduction targets for the steel industry through large-scale retrofitting and equipment upgrades, with the objective of achieving substantial energy savings and CO<sub>2</sub> emission reductions while improving benchmark energy-efficiency levels across key production processes. It prioritises the adoption of advanced technologies, including high-efficiency furnaces, waste-heat recovery systems, ultra-low-emission upgrades, increased scrap utilisation, and pilot projects for low-carbon processes such as hydrogen-based metallurgy. In addition, it enhances incentives for steel enterprises whose energy-efficiency and environmental performance meet or exceed benchmark standards.

Taken together, the Company considered that these policies create strong regulatory and economic incentives for the steel industry to reduce emissions, thereby driving demand for DeCO Catalysts.

Meanwhile, the Company is of the view that the performance of DeCO Catalysts is typically correlated with the quantity of precious metals used, such as platinum, palladium, and rhodium, which are scarce and expensive. In recent years, the prices of these precious metals have risen significantly, leading to materially higher production costs for DeCO Catalysts. Against this backdrop, Hainan Botuo and the HB Partners have successfully developed the HB DeCO Catalyst Formula that significantly improves catalytic efficiency while substantially reducing the required use of precious metals. The Company considered that such technological advancement confers a clear competitive advantage for the Company to offer DeCO Catalysts at more competitive prices and to enhance the ability to capture market share.

The Company is of the view that the entering into of the Technical Support Framework Agreement enables the Group to enhance its overall operational performance and to receive continuous technical support from Hainan Botuo for the manufacture process and for Pilot Testing to meet customers' performance specifications for DeCO Catalysts produced by the Group, while also incentivising Hainan Botuo to further improve the catalytic efficiency of the HB DeCO Catalysts manufactured by the Group.

In assessing the reasons for and benefits of the Transactions, we have the following analysis.

We first studied the Plans<sup>1</sup> and confirmed that the Company made fair and reasonable reference to them. The Action Plan covers a broader area and emphasizes a dual approach to fossil energy reduction and non-fossil energy promotion to meet binding targets, and set out certain annual CO<sub>2</sub> reductions targets. Meanwhile, the Special Action Plan targets the steel industry specifically, a foundational sector with significant emissions, to reduce energy intensity and foster green transitions. Alongside aiming to reduce uses of less efficient furnaces and fossil fuels and overall steel energy consumption, the target to achieve 53 million tonnes of CO<sub>2</sub> cuts from 2024 to 2025 is also set out in the Special Action Plan. Long-term goals to 2030 include, among other things, advanced efficiency levels, ensuring new projects meet benchmark efficiency and A-level environmental standards, upgrading emission reduction equipment and promoting low-carbon modes productions.

As the Plans indeed promote, among other environmental friendly measures, carbon emission reduction and transformative technologies, we agreed with the Company that they are expected to stimulate demand in the DeCO catalysts market, particularly for catalysts enabling hydrogen production, carbon capture, and low-emission processes. We further understood from the Company that the Plans' push for hydrogen development and non-fossil integration would likely indirectly boosts catalyst needs in steam methane reforming, electrolysis, and biomass gasification, where catalysts like nickel-based or precious metals enhance efficiency. Overall,

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<sup>1</sup> [https://www.gov.cn/zhengce/content/202405/content\\_6954322.htm](https://www.gov.cn/zhengce/content/202405/content_6954322.htm);  
<https://www.ndrc.gov.cn/xxgk/zcfb/tz/202406/P020240607588410867952.pdf>.

we considered the future of the DeCO catalysts market in the PRC to be optimistic as supported by government policies, and it is fair and reasonable for the Company trying to cultivate this market.

From another perspective, it is also important for the Company to explore and cultivate a relatively new DeCO catalysts market amid its apparent financial challenges. The Group recorded declining revenues, widening net losses and eroding net assets from FY2023 through FY2024. Although the Group's revenues in 6M2025 increased when compared to that in 6M2024 and net loss narrowed, it was still in loss making position in 6M2025. The Group's financial challenges were primarily attributed to the competitive pricing pressures in its core DeNOx catalyst segments and the contraction in its vehicle catalyst sales resulting from declining demand. These results may suggest the Group's vulnerability to market saturation in traditional DeNOx applications, necessitating diversification to stabilize finances and achieve profitability. Meanwhile, the DeCO catalyst market, which aligns with the Chinese government's carbon reduction policies and is supported by policy-driven demand, opens a path for the Group's revenue diversification in the DeCO sectors with high growth potentials, and to mitigate its reliance on the maturing DeNOx markets. In addition, we considered that the DeCO catalyst market is also in the usual and ordinary course of business of the Group in the sense that DeCO catalyst shares with DeNOx catalyst similar foundational catalytic principles, manufacturing processes and end-user applications in emission control. Denox may leverage existing production lines, supply chains, and customer relationships in the steel industry, where both NOx and CO emissions are regulated under China's carbon reduction policies, without requiring a fundamental business pivot. Based on the above, we further agreed that it is fair and reasonable and beneficial for the Company to explore and cultivate the DeCO catalyst market.

Then we noted from the 2024 Annual Report that the Company was already aware of a possible significant increase in demand for carbon monoxide (CO) catalysts in the metallurgical industry, and understood that the Company has already been trying to develop its in-house DeCO Catalyst formula at that time, but there has been no meaningful development. Alternatively, during the second half of 2025, Hainan Botuo supplied the HB DeCO Catalyst Formula to the Group for trial. The Group found that the HB DeCO Catalyst Formula was more competitive than the Group's in-house DeCO Catalyst formula, and facilitated the Group to successfully win DeCO Catalyst tender, which the Group failed to achieve prior to using HB DeCO Catalyst Formula. We have reviewed the DeCO Catalyst tender the Group won, and confirmed with the Company that the tender is secured leveraging on the HB DeCO Catalyst Formula. We have further enquired the Company and understood that the HB DeCO Catalyst Formula is advantageous over the Group's in-house DeCO Catalyst formula in the sense that, generally, the former enables the Group to produce DeCO Catalyst with satisfactory efficiency while substantially reducing the required amounts of precious metals. It enables the Group to produce satisfactory DeCO Catalyst with controlled costs, leveraging on which the Group can offer competitive prices which are commercially attractive to customers. If based on the Group's in-house DeCO Catalyst formula, the costs and therefore prices of the resulting DeCO Catalyst would be too high and become unattractive to its

customers. Based on the above, we agreed with the Company that the HB DeCO Catalyst Formula and relevant technical support are essential to the Company as it is its aim to cultivate the DeCO catalysts market, as explained above.

Having taken into account all of the above, and also our analysis of the terms and conditions of the Technical Support Framework Agreement such as the pricing policies and the proposed annual caps, details of which are set out below in this letter, we considered that the entering into of the Technical Support Framework Agreement is in the usual and ordinary course of business of the Company, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

## **2. The Technical Support Framework Agreement**

### ***(a) Principal terms of the Technical Support Framework Agreement***

The principal terms of the Technical Support Framework Agreement are as follows:

Date	:	11 February 2026
Parties	:	(1) Beijing Denox (2) Hainan Botuo
Term	:	From the Effective Date to 31 December 2028 (both days inclusive)

Subject matter

Pursuant to the Technical Support Framework Agreement, Hainan Botuo shall provide the Group with the Technical Support Services in connection with the use of the HB DeCO Catalyst Formula by the Group for the manufacture of HB DeCO Catalysts and for Pilot Testing to meet customer specifications. Pilot Testing is an indispensable process between laboratory-scale testing and full-scale engineering operation. Laboratory-scale testing only attempts to simulate engineering flue gas conditions (flue gas generated from fuel or ore combustion contains complex components that cannot be fully replicated under laboratory conditions), whereas Pilot Testing takes place in the real engineering flue gas environment. A new catalyst product that has been successfully validated under both laboratory-scale and Pilot Testing conditions, can greatly reduce the risk of operational failure when moving on to actual engineering application. The Technical Support Services shall include, without limitation, the following:

- (a) making customised modifications to the HB DeCO Catalyst Formula and providing technical support in accordance with the Group's customer requirements;
- (b) providing the Group, from time to time, with updated dynamic formulations and technologies for DeCO Catalysts, and ensuring that such Licensed Technologies are mature and capable of meeting the Group's customer performance specifications;
- (c) providing continuous technical support and maintenance services, including but not limited to supplying the Group from time to time with lists of qualified suppliers, technical specification parameters, and standard testing requirements for the core raw materials used under the Licensed Technologies, as well as providing technical consultancy in connection with the Group's production of HB DeCO Catalysts;
- (d) providing the Group with technical information, including dynamic formulations, qualified supplier lists for core raw materials, technical specification parameters for such core raw materials, and applicable testing standards;
- (e) providing customized research and development services, as required by the Group, for the development of the Group's DeCO Catalyst products; and

- (f) such other technical support services (including but not limited to on-site technical support during the pilot testing and/or change in the customers' production equipment or sintering process) as may be agreed between Beijing Denox and Hainan Botuo from time to time.

To support the provision of technical services required for each product supplied under individual HB DeCO Catalyst Supply Contract, the Group and Hainan Botuo shall enter into separate Service Agreement specifying the scope of technical support services to be provided by Hainan Botuo to Beijing Denox and the corresponding service fees.

Fees and pricing  
policy

During the term of the Technical Support Framework Agreement, the Group shall pay Hainan Botuo (i) the Service Fee; and (ii) the Performance Fee, for Technical Support Services rendered by Hainan Botuo in respect of each HB DeCO Catalyst Supply Contract.

(i) The Service Fee

The Service Fee shall be calculated by multiplying the total revenue (excluding taxes, agency fees, and recycling fees) generated from the supply of HB DeCO Catalysts in FY2026, FY2027, and FY2028 by the applicable service fee rate. Beijing Denox and Hainan Botuo shall separately negotiate the service fee rate applicable to each HB DeCO Catalyst Supply Contract and specify such rate in the relevant Service Agreement. The average annual service fee rate applicable to the HB DeCO Catalyst Supply Contracts in each of FY2026, FY2027, and FY2028 shall be 4%. The actual service fee rate under individual HB DeCO Catalyst Supply Contract may vary depending on the circumstances of such contract (such as delivery timeframe and the required level of input from Hainan Botuo). The average service fee rate of 4% was determined after arm's length negotiations with respect to (i) the labour cost of the Group for the provision of general technical support; and (ii) the additional labour cost due to the involvement of high-tech skilled labour provided by Hainan Botuo in the manufacture of HB DeCO Catalysts.

(ii) The Performance Fee

For each of HB DeCO Catalyst Supply Contract, if the Actual Gross Margin exceeds the Guaranteed Gross Margin, Hainan Botuo shall be entitled to a Performance Fee, representing a share of the gross profits exceeding the Guaranteed Gross Margin. In calculation of the Actual Gross Margin, such License Fee payable under the Exclusivity License Agreement and the Service Fee shall form part of the direct costs of sales. The Group and Hainan Botuo shall separately negotiate the performance sharing arrangement for each HB DeCO Catalyst Supply Contract and specify the Performance Fee in the corresponding Service Agreement. The Performance Fee ratio shall be determined based on the following factors prevailing at the time of execution of the relevant HB DeCO Catalyst Supply Contract: (i) prices of the core precious metals used; (ii) prices of other raw materials; (iii) manufacturing costs of DeCO Catalysts; (iv) energy prices for the manufacture of HB DeCO Catalysts; and (v) sales prices of the HB DeCO Catalysts. The sharing of the gross profits exceeding the Guaranteed Gross Margin would provide incentives to Hainan Botuo to upgrade the catalyst formula and to improve the Group's operational efficiency. However, actual amount of gross profits to be shared with Hainan Botuo would depend on the circumstances when entering into an individual supply contract and therefore would not have any prescribed range.

Based on the Group's audited financial statements for the year ended 31 December 2024 as disclosed in the Company's 2024 annual report, the gross profit and the revenue of the Group for the year ended 31 December 2024 amounted to approximately RMB27.5 million and approximately RMB109.0 million, respectively. Accordingly, the average gross profit margin of the Group during the financial year ended 31 December 2024 was approximately 25.2%, and the Guaranteed Gross Margin for FY2026, FY2027 and FY2028 would be 30.2%, 26.2% and 26.2%, respectively.

The parties to the Technical Support Framework Agreement have also agreed the principle that when determining how much Performance Fee Hainan Botuo is entitled to, the aggregate amount of the gross profit retained by the Group in respect of all HB DeCO Catalyst Supply Contracts during that year must exceed the aggregate amount of the License Fee, Service Fee and Performance Fee payable to Hainan Botuo during the same year.

If, in any financial year, (i) the overall average Actual Gross Margin for all HB DeCO Catalyst Supply Contracts is less than the Guaranteed Gross Margin, the Group is entitled to claw back all the Performance Fee previously paid to Hainan Botuo in that financial year; or (ii) the aggregate amount of the gross profit retained by the Group under all HB DeCO Catalyst Supply Contracts during that year is less than the aggregate amount of the License Fee, Service Fee and Performance Fee payable to Hainan Botuo during the same year, the Group shall be entitled to claw back the exceeding amount of the Performance Fee previously paid to Hainan Botuo in respect of that financial year. For the avoidance of doubt, Hainan Botuo shall remain entitled to receive the Service Fee and the License Fee under the Exclusivity License Agreement irrespective of whether the aforementioned two criteria are satisfied. On or before 31 March of the following year, the Group will determine whether the aggregate amount of License Fee, Service Fee and Performance Fee paid will trigger any claw back of the exceeding amount of the Performance Fee. The Group will notify Hainan Botuo any such exceeding amount of the Performance Fee in writing, and Hainan Botuo shall settle the amount within one month of the written notice.

The above clawback mechanism aims to ensure that (i) the Group would pay the Performance Fee only if the Guaranteed Gross Margin is achieved for all the HB DeCO Catalyst Supply Contracts as a whole during the entire financial year; and (ii) the total fees payable to Hainan Botuo would not exceed the total gross profits retained by Beijing Denox during FY2026, FY2027 and FY2028. In case the Actual Gross Profit is extremely high, Hainan Botuo may enjoy a high Performance Fee, so that its aggregate fees may be close to (but not exceeding) the gross profit retained by the Group in a particular financial year. Nonetheless the Directors have taken into account the following factors when considering such arrangement: (i) the HB DeCO Catalyst based on the HB DeCO Catalyst Formula is an innovative product which are not found in the market; (ii) the Group anticipates that setting up its own technical support team

for the manufacture of HB DeCO Catalysts using the HB DeCO Catalyst Formula and for Pilot Testing would require additional resources in R&D for the variation and modification of HB DeCO Catalysts to cater for each potential projects, and additional time for providing technical support as each project may or may not require further R&D by the Group's technical team. The Company expects that the estimated cost for setting up its own technical team for the manufacture of HB DeCO Catalysts and for Pilot Testing would result in the expected cost, on an annual basis, that is roughly 30% higher than the maximum exposure of the License Fee and the expected Service Fee and Performance Fee charged by Hainan Botuo for each of FY2026, FY2027 and FY2028, such that the Group is expected to achieve cost savings by entering into the Technical Support Framework Agreement.

It is also set out that despite that the Performance Fee ratio will be determined based on the circumstances of the individual HB DeCO Catalyst Supply Contract and may be considered relatively flexible, if the market exists technology or services similar to those provided by Hainan Boutuo in the future, the Group will re-assess the pricing terms with Hainan Botuo to make sure that it aligns with the prevailing market rate.

Proposed annual caps : The proposed Annual Caps which represent the aggregate Service Fee and the Performance Fee payable under the Technical Support Framework Agreement for the three years ending 31 December 2028 are RMB70 million, RMB60 million and RMB50 million, respectively.

For details, please refer to the section headed "Proposed Annual Caps" in the Letter from the Board.

Conditions precedent : The Technical Support Framework Agreement is conditional upon obtaining the approval from the Independent Shareholders at the EGM.

If the condition precedent set out above is not satisfied on or before 4:00 p.m. on 30 April 2026, the Technical Support Framework Agreement shall be terminated, and, except for any breach occurring prior to the termination of the Technical Support Framework Agreement, none of the parties thereto shall have any obligation or liability to perform.

Termination : The Technical Support Framework Agreement may be terminated prior to its expiry by mutual written consent. If either party to the Technical Support Framework Agreement materially breaches any provision of the Technical Support Framework Agreement, the other party may immediately terminate the Technical Support Framework Agreement by written notice.

**(b) Discussion on the pricing policy of the Technical Support Framework Agreement**

*The Service Fee*

We understood from the Letter from the Board and our enquiry to the Company that (i) for each HB DeCO Catalyst Supply Contract, the Group shall pay Hainan Botuo the Service Fee, being the amount of confirmed net sales (tax exclusive, hereinafter the same) pursuant to such contract multiplying an applicable service fee rate; (ii) Beijing Denox and Hainan Botuo shall separately negotiate the service fee rate applicable to each HB DeCO Catalyst Supply Contract and specify such rate in the relevant Service Agreement, and the primary reason for this case-by-case variation of applicable service fee rate is for addressing the varying gross profit margin to be earned by the Group, and ensuring that the Group can earn a gross profit margin satisfactory to itself, under each HB DeCO Catalyst Supply Contract. It is generally expected that the applicable service fee rate payable by the Group to Hainan Botuo under a particular HB DeCO Catalyst Supply Contract will be positively correlated with the expected gross profit margin to be earned by the Group under the same contract; (iii) although the applicable service fee rate may vary case-by-case, for each of FY2026, FY2027 and FY2028, the aggregate Service Fee paid by the Group to Hainan Botuo shall be 4% of the aggregate amount of confirmed net sales under all HB DeCO Catalyst Supply Contract during the respective year. In other words, the average annual service fee rate applicable to the HB DeCO Catalyst Supply Contracts in each of FY2026, FY2027, and FY2028 shall be 4% (the “**Average Annual Service Fee Rate**”).

We then enquired the Company about the basis of determining the Average Annual Service Fee Rate. We understood that it is determined based on arm’s length negotiations between the Group and Hainan Botuo, having considered the premiums of the expected gross profit margins to be earned by the Group under the HB DeCO Catalyst Supply Contracts (using the HB DeCO Catalyst Formula and the Technical Support Services) in each of FY2026, FY2027 and FY2028 over the average gross profit margin of the Group for each of the three years ended 31 December 2024, the Guaranteed Gross Margin, the labour cost of the Group for the provision of general technical support by itself, and additional labour cost due to the involvement of high-tech skilled labour provided by Hainan Botou in the manufacture of HB DeCO Catalysts.

In particular, the Company first considered its average gross profit margin over the three years ended 31 December 2024 of approximately 22.0% (the “**Average Gross Profit Margin**”), which is the average of the Group’s gross profit margins of approximately 21.3%, 19.4% and 25.2% for each of the three years ended 31 December 2024, derived from dividing the Group’s

gross profit of approximately RMB13.4 million, RMB24.5 million and RMB27.5 million by the Group's revenue of approximately RMB62.8 million, RMB126.4 million and RMB109.0 million, respectively. Then the Company has considered the Guaranteed Gross Margin of 30.2%, 26.2% and 26.2% for each of FY2026, FY2027 and FY2028. To the best knowledge and belief of the Company, the Guaranteed Gross Margin for FY2027 and FY2028 were lower than that for FY2026 because (i) both the Company and Hainan Botuo expected the prices of the core precious metals used in the HB DeCO Catalyst Formula to increase during FY2027 and FY2028; and (ii) after the rollout of a new catalyst for certain time, its price will start to drop due to the launch of similar products from other competitors, which will diminish the Group's profit margin. As such, there will be pressure on the Group's gross profit margins under the HB DeCO Catalyst Supply Contracts. It is also noted that the License Fee payable under the Exclusivity License Agreement and the Service Fee shall be included as part of the direct costs of sales in the calculation of the Actual Gross Margin, which represents that the Guaranteed Gross Margin is already net of the License Fee under the Exclusivity License Agreement and the Average Annual Service Fee Rate. If the Guaranteed Gross Margin is achieved, the Group can earn gross profit margins higher than both the Average Gross Profit Margin and its gross profit margins of approximately 25.2% for the FY2024, which is already its highest gross profit margin during the three years ended 31 December 2024, under the HB DeCO Catalyst Supply Contracts. As such, the Company considered the Average Annual Service Fee Rate, being part of the pricing policy of the Technical Support Framework Agreement, fair and reasonable and in the interest of the Group.

We have conducted further due diligence in this regard. We obtained from the Company an estimated calculation about the Transactions and the expected HB DeCO Catalyst Supply Contracts, which set out parameters including, but not limited to (i) the estimated unit prices (tax exclusive, the same below) and unit production costs of HB DeCO Catalyst per cubic meter for each of FY2026, FY2027 and FY2028; and (ii) the estimated net sales volume of HB DeCO Catalyst in cubic meter for each of FY2026, FY2027 and FY2028, as well as other relevant figures and calculations derived therefrom. We also understood from the Company that it has already secured DeCO Catalyst contracts, tenders and orders leveraging on the HB DeCO Catalyst Formula, and obtained from the Company such contracts, being a total of 14 contracts entered into by the Group with independent third party customers since around the fourth quarter of 2025 and up to the Latest Practicable Date. We noted that the unit prices of HB DeCO Catalyst per cubic meter under such contracts are, on average, slightly higher than but generally in line with the estimated unit prices of HB DeCO Catalyst per cubic meter adopted by the Company in its estimated calculation, and therefore considered them to be fair and reasonable estimates. We further noted that the aggregate net sales volume of HB DeCO Catalyst in cubic meter under such contracts, which are only up to the Latest Practicable Date, already represented over 45% of the total estimated net sales volume of HB DeCO Catalyst in cubic meter for FY2026 as adopted by the Company in its estimated calculation. Considering only less than three months have passed in FY2026, we considered that there is sufficient time, and therefore it is reasonable, for the Group to achieve its total estimated net sales volume of HB DeCO Catalyst in cubic meter for FY2026, and that such estimate is conservative and fair and reasonable. Based on the above, we considered the Company's estimations of the estimated unit prices and estimated net sales volume of HB DeCO Catalyst in its calculation fair and reasonable. We also examined the Company's estimation of the unit production costs

of HB DeCO Catalyst per cubic meter, and noted that it is derived from (i) making reference to the Group's historical average unit costs of its own existing catalysts, subtracting therefrom the average unit cost of precious metals used in the Group's existing catalysts, and adding the estimated average unit cost of precious metals to be used under the HB DeCO Catalyst Formula. Considering such estimation of the unit production costs of HB DeCO Catalyst per cubic meter has been derived from the basis of the Group's historical average unit costs of its own existing catalysts, adjusted to account for the difference in precious metals used under the HB DeCO Catalyst Formula, we were of the view that such estimation was also fair and reasonable. Then, based on the Company's overall estimated calculation about the estimated unit prices, unit production costs and estimated net sales volume of HB DeCO Catalyst, we noted that the expected annual gross profit margins to be earned by the Group under the HB DeCO Catalyst Supply Contracts were actually higher than the Guaranteed Gross Margin by not less than 2.5% (absolute figure) for all FY2026, FY2027 and FY2028. Therefore, we considered that the Guaranteed Gross Margin is reasonably achievable, and was determined fairly and reasonably.

Overall, as (i) the HB DeCO Catalyst Formula and the Technical Support Services, provided to the Group pursuant to the Exclusivity License Agreement and the Technical Support Framework Agreement, give the Group the opportunity to earn the expected gross profit margins under the HB DeCO Catalyst Supply Contracts; (ii) the provision of the Guaranteed Gross Margin for FY2026, FY2027 and FY2028, if achieved, represents that the Group can earn gross profit margins higher than both the Average Gross Profit Margin and its gross profit margins of approximately 25.2% for the FY2024, which is already its highest gross profit margin during the three years ended 31 December 2024, under the HB DeCO Catalyst Supply Contracts after paying the License Fee under the Exclusivity License Agreement and the Average Annual Service Fee Rate; and (iii) we have examined the Company's estimated calculation and noted that the expected annual gross profit margins to be earned by the Group under the HB DeCO Catalyst Supply Contracts were actually higher than the Guaranteed Gross Margin by not less than 2.5% (absolute figure) for all FY2026, FY2027 and FY2028, and therefore considered that the Guaranteed Gross Margin is reasonably achievable and was determined fairly and reasonably, we were of the view that the Average Annual Service Fee Rate and thus the Service Fee to be paid by the Group to Hainan Botuo under the Technical Support Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

#### *The Performance Fee*

We further noted that for each HB DeCO Catalyst Supply Contract, if the Actual Gross Margin exceeds the Guaranteed Gross Margin, Hainan Botuo shall be entitled to a Performance Fee, representing a share of the Group's gross profits exceeding the Guaranteed Gross Margin. In calculation of the Actual Gross Margin, such License Fee payable under the Exclusivity License Agreement and the Service Fee shall form part of the direct costs of sales. We have also examined the estimated calculation from the Company about the Transactions and the expected HB DeCO Catalyst Supply Contracts and enquired the Company, and understood that (i) the Performance Fee for each HB DeCO Catalyst Supply Contract is also determined case-by-case to account for the varying gross profit margin to be earned by the Group in each case,

at a certain rate (the “**Performance Fee Rate**”) multiplying the amount of confirmed net sales pursuant to such contract if the actual gross profit margin earned by the Group exceeds the Guaranteed Gross Margin; (ii) if a HB DeCO Catalyst Supply Contract fails to meet the Guaranteed Gross Margin, Hainan Botuo shall not be entitled to any Performance Fee in respect of such contract, but Hainan Botuo shall remain entitled to receive the Service Fee and the License Fee under the Exclusivity License Agreement; (iii) because of the conditions above, for each of FY2026, FY2027, and FY2028, the aggregate Performance Fee that Hainan Botuo would be entitled to would not exceed the part of actual gross profit margin earned by the Group over the Guaranteed Gross Margin under the HB DeCO Catalyst Supply Contracts in aggregate for the respective year. For instance, if the Group earns actual gross profit margin of 31.2%, 27.2% and 27.2% under the HB DeCO Catalyst Supply Contracts in aggregate for each of FY2026, FY2027, and FY2028, the Performance Fee Rate shall not exceed 1% for each of FY2026, FY2027, and FY2028; (iv) for FY2026, the expected gross profit margin to be earned by the Group under the HB DeCO Catalyst Supply Contracts was higher than the Guaranteed Gross Margin and the expected Performance Fee Rate combined; (v) for FY2027 and FY2028, the expected gross profit margins to be earned by the Group under the HB DeCO Catalyst Supply Contracts were equal to the Guaranteed Gross Margin and the expected Performance Fee Rate combined, respectively; and (vi) in addition, in any financial year, the Group shall be entitled to claw back (a) all the Performance Fee previously paid to Hainan Botuo if the overall average Actual Gross Margin for all HB DeCO Catalyst Supply Contracts is less than the Guaranteed Gross Margin; and (b) the exceeding amount of the Performance Fee previously paid to Hainan Botuo if the aggregate amount of the gross profit retained by the Group under all HB DeCO Catalyst Supply Contracts during that year is less than the aggregate amount of the License Fee, Service Fee and Performance Fee payable to Hainan Botuo during the same year. On or before 31 March of the following year, the Group will determine whether the aggregate amount of License Fee, Service Fee and Performance Fee paid will trigger any claw back of the exceeding amount of the Performance Fee. The Group will notify Hainan Botuo any such exceeding amount of the Performance Fee in writing, and Hainan Botuo shall settle the amount within one month of the written notice.

We have further analysed that, for FY2026, as the expected gross profit margin to be earned by the Group under the HB DeCO Catalyst Supply Contracts was higher than the Guaranteed Gross Margin and the expected Performance Fee Rate combined, it represents that while the Group can already earn gross profit margins not less than the Average Gross Profit Margin and its highest gross profit margin during the three years ended 31 December 2024 of approximately 25.2% under the HB DeCO Catalyst Supply Contracts, it can also earn additional gross profit margins from the part exceeding the Guaranteed Gross Margin, which we considered beneficial to the Group. For FY2027 and FY2028 where the expected gross profit margins to be earned by the Group under the HB DeCO Catalyst Supply Contracts were equal to the Guaranteed Gross Margin and the expected Performance Fee Rate combined, respectively, we have also enquired the Company and understood that it is mainly attributable to the expectation that the gross profit margins to be earned by the Group under the HB DeCO Catalyst Supply Contracts would become thinner in FY2027 and FY2028 due to downward pressure on sale prices and upward pressure on prices of core precious metals used. In this relation, we noted that (i) for FY2027, the decrease in the expected gross profit margin to be earned by the Group under the HB DeCO Catalyst Supply Contracts when compared to that of

FY2026 is larger than the decrease in the Guaranteed Gross Margin between the same years; (ii) for FY2028 where the expected gross profit margin to be earned by the Group under the HB DeCO Catalyst Supply Contracts further decreased when compared to that of FY2027, the Guaranteed Gross Margin remained unchanged; and (iii) as a combined result of the above, because Hainan Botuo shall only be entitled to a Performance Fee for the Group's gross profits exceeding the Guaranteed Gross Margin, the Performance Fee Rate also decreased significantly in FY2027 and FY2028. Considering that the Guaranteed Gross Margin decreased at a smaller rate when compared to the decrease in the Group's expected gross profit margin under the HB DeCO Catalyst Supply Contracts in FY2027 and remained unchanged when the Group's expected gross profit margin under the HB DeCO Catalyst Supply Contracts further decreased in FY2028, and that the Performance Fee Rate also decreased significantly in FY2027 and FY2028 accordingly, we were of the view that the Performance Fee Rate for FY2027 and FY2028 were also fair and reasonable.

We further noted that the actual amount of gross profits to be shared with Hainan Botuo would depend on the circumstance of individual supply contract and therefore would not have any prescribed range. In this relation, we have considered that (i) Hainan Botuo will only be entitled to a Performance Fee if the Group's gross profit exceeds the Guaranteed Gross Margin for any HB DeCO Catalyst Supply Contract; (ii) for each of FY2026, FY2027, and FY2028, the aggregate Performance Fee that Hainan Botuo would be entitled to would not exceed the part of actual gross profit margin earned by the Group over the Guaranteed Gross Margin under the HB DeCO Catalyst Supply Contracts in aggregate for the respective year; and (iii) the aggregate amount of the License Fee, Service Fee and Performance Fee payable to Hainan Botuo during any of the FY2026, FY2027 and FY2028 shall not exceed the aggregate amount of the gross profit retained by the Group under all HB DeCO Catalyst Supply Contracts during that year because of the claw back mechanism. It represents that the range of the Performance Fee Rate would be within the difference between the Group's actual gross profit margin and the Guaranteed Gross Margin for HB DeCO Catalyst Supply Contracts. By not further limiting the Performance Fee within a prescribed range, we agreed with the Company that it would provide incentives for Hainan Botuo to upgrade the catalyst formula and to improve the Group's operational efficiency and enhance the Group's actual gross profit margin. Moreover, the claw back mechanism ensures that the aggregate amount of the gross profit retained by Beijing Denox under all HB DeCO Catalyst Supply Contracts during a year would be not less than the aggregate amount of the License Fee, Service Fee and Performance Fee payable to Hainan Botuo during the same year, so while Hainan Botuo is incentivized to improve the Group's operational efficiency and to enjoy higher Performance Fee, the Group could also earn higher gross profits from that. Based on the above, we considered such arrangement commercially beneficial to the Group and therefore fair and reasonable.

Overall, considering that (i) Hainan Botuo shall only be entitled to a Performance Fee if the Actual Gross Margin exceeds the Guaranteed Gross Margin for each of FY2026, FY2027 and FY2028; (ii) for FY2026, the Group can also earn additional gross profit margin under the HB DeCO Catalyst Supply Contracts from the part exceeding the Guaranteed Gross Margin taking into account the expected Performance Fee Rate; (iii) for FY2027 and FY2028, although the Group is not expected to earn additional gross profit margins under the HB DeCO Catalyst Supply Contracts exceeding the Guaranteed Gross Margin, it is mainly because of the thinner

expected gross profit margin for the years, and the Performance Fee Rate also significantly decreased accordingly; (iv) although without a prescribed range, the Performance Fee Rate would be within the difference between the Group's actual gross profit margin and the Guaranteed Gross Margin for HB DeCO Catalyst Supply Contracts; (v) by not further limiting the Performance Fee, on top of the current criteria, within a prescribed range, it would provide incentives for Hainan Botuo to upgrade the catalyst formula and to improve the Group's operational efficiency and enhance the Group's actual gross profit margin at its best effort; (vi) in any financial year, the Group shall be entitled to claw back (a) all the Performance Fee previously paid to Hainan Botuo if the overall average Actual Gross Margin for all HB DeCO Catalyst Supply Contracts is less than the Guaranteed Gross Margin; and (b) the exceeding amount of the Performance Fee previously paid to Hainan Botuo if the aggregate amount of the gross profit retained by the Group under all HB DeCO Catalyst Supply Contracts during that year is less than the aggregate amount of the License Fee, Service Fee and Performance Fee payable to Hainan Botuo during the same year; and (vii) the claw back mechanism ensures that the Group could also earn higher gross profits from Hainan Botuo's attempt to improve the Group's operational efficiency and to enjoy higher Performance Fee, we were of the view that the arrangement of Hainan Botuo being entitled to the Performance Fee under the Technical Support Framework Agreement is on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

*Conclusion on the pricing policy of the Technical Support Framework Agreement*

We also understood that while the Group is unable to identify alternative service provider in the market who has the technical know-how and is capable of offering similar Technical Support Service using the HB DeCO Catalyst Formula, it has attempted to assess, in a theoretical scenario only, the costs it would have incurred if it is to carry out the activities to be performed by Hainan Botuo pursuant to the Technical Support Framework Agreement, being the Technical Support Services for the manufacture of HB DeCO Catalysts and for Pilot Testing, by itself. We have obtained from the Company its calculation of its expected costs in such theoretical scenario. We noted that such expected costs generally consisted of (i) the remuneration costs of retaining a research and development crew including principal scientists, researchers, engineers, lab analysts and other relevant personnel; (ii) the costs of acquiring, setting up and/or maintaining its own research and development equipment and relevant consumables, such as experiment equipment, reaction equipment, and analytic equipment; (iii) the costs of research and development materials and overheads, such as the material expenses for the procurement of various chemical raw materials, precious metals, carriers, metal precursors, etc., the testing and analysis fees for entrusting external institutions with advanced characterization and long-term performance evaluation, and utilities and fuel costs; (iv) the costs for the design, customization, or modification of pilot-scale reaction units and their supporting heating and analytical equipment, raw material and energy consumption costs during the pilot stage, and iterative costs arising from technical risks during the scale-up process; (v) costs for technical consulting such as hiring industry experts for peer reviews and technical assessments, and joint research and development with universities and research institutes to tackle specific technical challenges; and (vi) project management fees such as acceptance and appraisal fees, reimbursement expenses for on-site projects, costs for case-by-case technical route adjustments, etc. We further enquired the Company and understood that

such expected costs have been prepared based on the Group's existing costs levels of corresponding or similar items, which we considered a fair and reasonable estimate. We noted that such expected costs, on an annual basis, exceeded the maximum exposure of the License Fee and expected Service Fee and Performance Fee for each of FY2026, FY2027 and FY2028 by roughly 30% on average. It should be further noted that in practice, it may take the Group a significant period managing to complete such theoretical research and development activities, such that the Group may be unable to capture the business opportunities in the DeCO Catalysts market timely. Taking into account that (i) the maximum exposure of the License Fee and expected Service Fee and Performance Fee for each of FY2026, FY2027 and FY2028 are lower than the Group's expected costs if it is to carry out the activities to be performed by Hainan Botuo pursuant to the Technical Support Framework Agreement by itself in a theoretical scenario; and (ii) the Technical Support Framework Agreement offers a timely solution for the Group to capture the emerging business opportunities in the DeCO Catalysts market at expected costs lower than the Group's expected costs for carrying out the activities to be performed by Hainan Botuo thereunder itself, we further considered the pricing policy of the Technical Support Framework Agreement to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Taking into account all our analysis above, and that in no event shall the aggregate amount of the Service Fee and the Performance Fee payable to Hainan Botuo under any HB DeCO Catalyst Supply Contract exceed the total gross profit received by the Group under that contract, we considered the pricing policy of the Technical Support Framework Agreement to be on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

**(c) *Discussion on the proposed annual caps of the Technical Support Framework Agreement***

*Historical transaction*

As set out in the Letter from the Board, during the second half of 2025, Hainan Botuo supplied the HB DeCO Catalyst Formula to the Group for trial. Nonetheless, no fee was charged by Hainan Botuo in respect of the provision of technical support services in relation to the use of HB DeCO Catalyst Formula to the Group for trial and manufacture of HB DeCO Catalysts during the second half of 2025 up to the Latest Practicable Date. Prior to the entering into of the Technical Support Framework Agreement and up to the Latest Practicable Date, no fee has been paid by the Group to Hainan Botuo. Accordingly, there is no historical transaction amounts in relation to the provision of services by Hainan Botuo to the Group prior to the entering into of the Technical Support Framework Agreement.

*Proposed annual caps of the Technical Support Framework Agreement and basis of determination*

The proposed Annual Caps which represent the aggregate Service Fee and the Performance Fee payable under the Technical Support Framework Agreement for the three years ending 31 December 2028 are as follows:

	<b>From the Effective Date to 31 December 2026 (RMB'000)</b>	<b>For the year ending 31 December 2027 (RMB'000)</b>	<b>For the year ending 31 December 2028 (RMB'000)</b>
Annual Caps	70,000	60,000	50,000

As set out in the Letter from the Board, the proposed Annual Caps were determined with reference to: (i) the expected orders to be received by the Group from its customers in respect of the supply of HB DeCO Catalysts from the Effective Date up to and including 31 December 2028; (ii) the prevailing market price of DeCO Catalysts; (iii) the expected market price of certain precious metals, being the key components for manufacturing HB DeCO Catalysts; (iv) other costs of production including but not limited to the cost of other raw materials and energy consumption; and (v) a buffer of approximately 20% for the Group to capture more business opportunities in case of the most optimistic market and to cater for potential fluctuations in the prices of precious metals.

*Our discussion on the proposed Annual Caps*

To assess the basis of determining the proposed Annual Caps and the factors considered by the Board, we have the following analysis.

As disclosed in the sub-section headed “(b) Discussion on the pricing policy of the Technical Support Framework Agreement” above, we obtained an estimated calculation from the Company about the Transactions and the expected HB DeCO Catalyst Supply Contracts. We have examined and considered the Company’s overall estimated calculation about the estimated unit prices, unit production costs and estimated net sales volume of HB DeCO Catalyst therein to be fair and reasonable. We then noted that by multiplying the respective estimated unit prices and estimated net sales volume of HB DeCO Catalyst, for each of FY2026, FY2027 and FY2028, the Company has estimated the expected revenue (tax exclusive, the same below) from HB DeCO Catalysts. Then by multiplying such expected revenue from HB DeCO Catalysts and the Average Annual Service Fee Rate of 4%, for each of FY2026, FY2027 and FY2028, the Company has estimated the respective Service Fee payable to Hainan Botuo. In addition, after taking into account the Company’s estimated unit production costs of HB DeCO Catalyst, the Company derived estimated gross profits from HB DeCO Catalyst for each of FY2026, FY2027 and FY2028. For the parts of such estimated gross profits exceeding the parts guaranteed by the Guaranteed Gross Margin, the Company

then applied the applicable Performance Fee Rate and thereby estimated the respective Performance Fee payable to Hainan Botuo for each of FY2026, FY2027 and FY2028. By adding up the estimated Service Fee and Performance Fee payable to Hainan Botuo for each of FY2026, FY2027 and FY2028, the Group's respective estimated annual transaction amounts with Hainan Botuo are derived, which constituted a substantial part of the respective proposed Annual Caps, ranging from approximately 71.0% to 89.9%. As such estimated annual transaction amounts have been derived purely from the Company's overall estimated calculation about the estimated unit prices, unit production costs and estimated net sales volume of HB DeCO Catalyst, as well as taking into account the Average Annual Service Fee Rate and the applicable Performance Fee Rate, which we considered fair and reasonable, we were of the view that such estimated annual transaction amounts with Hainan Botuo which constituted a substantial part of the respective proposed Annual Caps are fair and reasonable.

We have then considered the remaining parts of the proposed Annual Caps, being buffers ranging from approximately 10.1% to 29.0% during FY2026, FY2027 and FY2028. We have enquired about the Company's reasons for believing such buffers of roughly around 20% on average is necessary for the Group to capture more business opportunities in case of the most optimistic market, and understood that the Company considered the DeCO catalyst market in the PRC to be relatively new but quickly emerging, and therefore, if the Company is able to act swiftly and be one the pioneers in this market, the Company may be able to capture more business opportunities than it currently expected. In this regard, we have further conducted our desktop search, and to our best knowledge and belief, we noted that decarbonisation-specific applications like DeCO catalysts have only gained prominence in the PRC since around 2020 when the PRC government announced globally that China pledges for carbon peaking by 2030 and neutrality by 2060<sup>2</sup>, after which relevant government policies, schemes and incentives including but not limited to the Plans and China's national Emissions Trading Scheme have been published or introduced from time to time, driving investments into and developments of the DeCO technologies and catalysts sector. With the tightening carbon emission policies on one hand, and government incentives on the other, we considered that the steel industry in the PRC has strong incentives to adopt DeCO technologies and catalysts at an accelerating pace for compliance, boosting the relevant procurement demands. Coupled with our analysis about the DeCO catalysts market in the PRC as set out in the sub-section "1. Background of and reasons for the Transactions – (b) Reasons for and benefits of the Transactions", we agreed with the Company that there exist significant potential upside in the DeCO catalyst market in the PRC and therefore potential orders for the Group.

On the other hand, we have also considered the Group's ability to capture higher number of orders historically. We noted that the Group managed to capture substantially more orders of its Plate-type DeNOx catalysts and Honey-comb DeNOx catalysts in FY2024 when compared to those of FY2023. In particular, the Group's sales volume of plate-type DeNOx catalysts and honey-comb DeNOx catalysts increased by approximately 18.8% and 204.5%, respectively, between FY2023 and FY2024. Considering that the Group already demonstrated its ability to capture substantially larger number of orders of catalysts with similar nature with DeCO catalyst, and given the potential upside in the DeCO catalyst market in the PRC and therefore

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<sup>2</sup> [https://www.ndrc.gov.cn/wsdwhfz/202111/t20211111\\_1303691.html](https://www.ndrc.gov.cn/wsdwhfz/202111/t20211111_1303691.html).

potential orders for the Group, we casted no doubt on the Company's belief that buffers of roughly around 20% on average is necessary in case of the most optimistic market. Therefore, we also considered such buffer, being included in the proposed Annual Caps, fair and reasonable.

As the proposed Annual Caps consisted primarily of a fair and reasonable estimation of annual transaction amounts between the Group and Hainan Botuo and fair and reasonable amounts of buffers, details of which have been discussed above, we considered the proposed Annual Caps fair and reasonable.

### **3. Review and report requirements of the Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the annual review and report requirements set out below. We have enquired the Company and are given the understanding that the Company will comply with such requirements:

- (a) The Company's independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) The Company must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
  - (iv) have exceeded the cap;
- (c) The Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and

- (d) The Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the review and report requirements attached to the Transactions, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

## **RECOMMENDATION**

Having considered the principal factors and reasons discussed above, we are of the opinion that the Technical Support Framework Agreement and the transactions contemplated thereunder are (i) in the ordinary and usual course of business of the Group; (ii) in the interests of the Company and the Independent Shareholders as a whole; and (iii) the terms of the Technical Support Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Technical Support Framework Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**RED SOLAR CAPITAL LIMITED**



**Leo Chan**

*Managing Director*

*Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 12 years of experience in corporate finance industry.*