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

If you have sold or transferred all your shares in Zhejiang Tengy Environmental Technology Co. Ltd, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

浙江天潔環境科技股份有限公司

Zhejiang Tengy Environmental Technology Co., Ltd

(a joint stock company established in the People's Republic of China with limited liability)
(Stock Code: 1527)

(1) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; (2) CONNECTED TRANSACTION PROVISION OF THE LOAN; AND (3) NOTICE OF EGM

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滙博資本有限公司

Capitalised terms used in the lower portion of this cover page and the inside cover page of this circular shall have the same respective meanings as those defined in the section headed "DEFINITIONS" of this circular.

A letter from the Board is set out on pages 6 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 56 of this circular.

A notice convening the extraordinary general meeting of the Company ("EGM") to be held at Conference Room, 6th Floor, Tianjie Building, No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, the People's Republic of China on Thursday, 25 June 2026 at 10 a.m., is set out on pages EGM-1 to EGM-3 of this circular.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the applicable proxy form in accordance with the instructions printed thereon. The proxy form must be signed by you or your attorney duly authorized in writing or, in case of a legal person, must either be executed under its seal or under the hand of its director or other attorney duly authorised to sign the same. If the proxy form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarised.

In the case of joint holders of shares of the Company, only the holder whose name appears first in the register of members of the Company shall alone be entitled to vote at the EGM either in person or by proxy in respect of such shares.

For H Shareholders, please return the proxy form together with any documents of authority to Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM. For Domestic Shareholders, please return the proxy form together with any documents of authority to the registered office of the Company in the PRC at TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“Announcements”	the announcement of the Company dated 24 April 2026 in relation to, among other things, the entering into of the Loan Agreement and the transactions contemplated thereunder; and the supplemental announcement of the Company dated 29 April 2026 in relation to, among other things, the Proposed Amendments of Articles and the Supplemental Loan Agreement
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Charge Agreements”	collectively, the First Charge Agreement and the Second Charge Agreement
“Charged Properties”	collectively, the First Charged Properties and the Second Charged Properties
“Chargor(s)”	Tengy Hubei and Henan Tengy, the chargors of the Charged Properties
“Company”	Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司), a joint stock limited liability company established under the laws of the PRC on 28 December 2009, the issued H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1527)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed in the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	ordinary share(s) issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“EGM”	the extraordinary general meeting of the Company to be held and convened on 25 June 2026 for (i) the Shareholders to consider and approve the Proposed Amendments of Articles; and (ii) the Independent Shareholders to consider and approve the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder
“First Charge Agreement”	the conditional charge agreement dated 24 April 2026 entered by the Company as chargee, Tengy Hubei as chargor, and TGL as borrower in relation to the charge of the First Charged Properties
“First Charged Properties”	16 commercial units situated at 1st Floor, Tianjie Shuhuacheng, Changjiang Industrial Park, Xianning City, Hubei Province, the PRC with a total construction area of 1802.44 square meters
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the conditional guarantee agreement dated 24 April 2026 entered into by the Company as creditor, the Guarantors and TGL as borrower pursuant to which the Guarantors jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement
“Guarantor(s)”	Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed on the Stock Exchange and traded in HK\$
“Henan Tengy”	Henan Tengy Property Development Co., Ltd.* (河南天潔置業有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of TGL

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely, Mr. Yu Chi Wing, Mr. Xia Jiebin and Mr. Wang Feng established to advise the Independent Shareholders in relation to the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder after considering the recommendations of the Independent Financial Adviser
“Independent Shareholders”	Shareholders other than TGL, Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang and their associates who are required by the Listing Rules to abstain from voting at the EGM in respect of the resolution(s) relating to the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder;
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Keyuan Enterprise”	Zhuji Keyuan Enterprise Management Co., Ltd.* (諸暨市科源企業管理有限公司), a company established in the PRC with limited liability
“Latest Practicable Date”	4 June 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the principal amount of RMB50 million to be provided by the Company as lender to TGL as borrower pursuant to the Loan Agreement
“Loan Agreement”	the conditional agreement dated 24 April 2026 entered into between (i) the Company as lender; and (ii) TGL as borrower in relation to the Provision of the Loan (as supplemented by the Supplemental Loan Agreements)
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Amendments of Articles”	the proposed amendments to the Articles as set out in this circular
“Provision of the Loan”	the provision of the Loan pursuant to the Loan Agreement
“Second Charge Agreement”	the conditional charge agreement dated 24 April 2026 entered by the Company as chargee, Henan Tengy as chargor, and TGL as borrower in relation to the charge of the Second Charged Properties
“Second Charged Properties”	16 commercial units situated at 1st to 2nd Floor, Tianjie Yuhu Ludao, West Side of National Highway 107, Chengnan, Suiping County, Zhumadian City, Henan Province, the PRC with a total construction area of 4,234.16 square meters
“SFO”	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company

DEFINITIONS

“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Agreements”	the supplemental agreement entered into between (i) the Company as lender; and (ii) TGL as borrower dated 29 April 2026 in relation to the amendment of the conditions precedent of the Provision of the Loan under the Loan Agreement and the supplemental agreement entered into between (i) the Company as lender; and (ii) TGL as borrower dated 4 June 2026 in relation to, among others, the amendments of the interest rate and the loan-to-value ratio of the Loan
“TGL”	Tengy Group Limited, also known as Tianjie Group Co., Ltd.* (天潔集團有限公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding approximately 32% interest in the Company as at the Latest Practicable Date
“Tengy Hubei”	Tengy Group Hubei Real Estate Co., Ltd.* (天潔集團湖北置業有限公司), a company established in the PRC with limited liability and a subsidiary of TGL
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Valuer”	Masterpiece Valuation Advisory Limited, a professional valuer independent to the Company and its connected persons
“%”	per cent.

LETTER FROM THE BOARD

浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd
(a joint stock company established in the People's Republic of China with limited liability)
(Stock Code: 1527)

Executive Directors:

Mr. BIAN Yu (*Vice-chairman*)
Mr. ZHANG Yuanyuan
Ms. BIAN Shu

Non-executive Directors:

Ms. YU Ji
Mr. CHEN Jiancheng
Mr. ZHU Xian Bo (*Chairman*)

Independent Non-executive Directors:

Mr. WANG Feng
Mr. YU Chi Wing
Mr. XIA Jiebin

*Registered Office and principal place of
business in the PRC:*

TENGY Industrial Park
Paitou Town
Zhujia City
Zhejiang Province
The PRC

Principal Place of

Business in Hong Kong:
Room 1201, 12th Floor
Chung Ying Building
20 Connaught Road West
Sheung Wan
Hong Kong

8 June 2026

To the Shareholders,

Dear Sirs,

**(1) PROPOSED AMENDMENTS TO THE
ARTICLES OF ASSOCIATION; AND
(2) CONNECTED TRANSACTION
PROVISION OF THE LOAN**

1. INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the Proposed Amendments of Articles and the entering into of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder. On 24 April 2026 (after trading hours), (i) the Company as lender; and (ii) TGL as borrower entered into the Loan Agreement, pursuant to which the Company has conditionally agreed to provide the Loan in the principal amount of RMB50 million to TGL for a period of three (3) years commencing from the date of drawdown of the Loan at a fixed interest rate of 5.5% per annum. The Company and TGL entered into the Supplemental Loan Agreements on 29 April 2026 and 4 June 2026 respectively to amend the conditions precedent for the Provision of the Loan and the amendments of the interest rate and the loan-to-value ratio of the Loan.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Amendments of Articles; (ii) information relating to the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder; (iii) the recommendations of the Independent Board Committee to the Independent Shareholders on the terms of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder; (iv) a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder; and (v) the notice convening the EGM.

2. PROPOSED AMENDMENTS OF ARTICLES

Reference is made to the Company's announcement dated 29 April 2026 in relation to the Proposed Amendments of Articles.

On 29 April 2026, the Board has resolved to propose to the Shareholders the amendment of Article 154 of the Articles as follow:

Existing wordings of Article 154	New wordings of Article 154 after the Proposed Amendments of Articles
<p>The Company shall not directly or indirectly make a loan to or provide any security for a director, supervisor, president or other senior management officers of the Company or of the Company's holding company or any of their respective associates.</p>	<p>A director shall comply with the laws, administrative regulations and the provisions of these Articles, owe a duty of loyalty to the Company, take measures to avoid conflicts between their personal interests and the Company's interests, and shall not abuse their powers to seek improper interests.</p>
<p>The foregoing prohibition shall not apply to the following circumstances:</p>	<p>Directors shall perform the following loyalty obligations to the Company:</p>
<p>(1) The provision by the Company of a loan to or a security for its subsidiary;</p>	<p>(1) Shall not embezzle the Company's property or misappropriate the Company's funds;</p>

LETTER FROM THE BOARD

Existing wordings of Article 154	New wordings of Article 154 after the Proposed Amendments of Articles
<p>(2) The provision by the Company of a loan or a security or any other funds available to any of its directors, supervisors, president and other senior management officers to meet expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the shareholders in a general meeting; or</p>	<p>(2) Shall not deposit the Company's funds under an account opened in their own name or any other individual's name;</p>
<p>(3) If the ordinary business scope of the Company includes lending of money and providing security, the Company may make a loan to or provide a security to any of the relevant directors, supervisors, president and other senior management officers or their respective associates on normal commercial terms.</p>	<p>(3) Shall not abuse their positions to offer or accept bribes or receive other illegal income;</p> <p>(4) Shall not, directly or indirectly, enter into any contract or transaction with the Company without reporting the matter to the board of directors or the shareholders' meeting and obtaining the approval of the board of directors or the shareholders' meeting in accordance with these Articles;</p>
	<p>(5) Shall not, by taking advantage of their position, seize business opportunities belonging to the Company for themselves or any other person, save that where such matter has been reported to the board of directors or the shareholders' meeting and approved by the resolution of the shareholders' meeting, or the Company is unable to take advantage of such business opportunities pursuant to laws, administrative regulations or these Articles, this restriction shall not apply;</p>

LETTER FROM THE BOARD

Existing wordings of Article 154

New wordings of Article 154 after the Proposed Amendments of Articles

- (6) Shall not engage in competing businesses of the same category as the Company for themselves or on behalf of any other person, without reporting the matter to the board of directors or the shareholders' meeting and obtaining the approval by resolution of the shareholders' meeting;
- (7) Shall not appropriate for their own benefit any commission arising from transactions between third parties and the Company;
- (8) Shall not disclose the Company's confidential information without authorisation;
- (9) Shall not utilise their connected relationships to harm the Company's interests;
- (10) Perform other loyalty obligations as stipulated by applicable laws, administrative regulations, departmental rules and these Articles.

Any income obtained by a director in violation of the provisions of this Article shall belong to the Company. Where any loss is caused to the Company, such director shall be liable for compensation.

LETTER FROM THE BOARD

Existing wordings of Article 154

New wordings of Article 154 after the Proposed Amendments of Articles

The provisions of Item (4) of the second paragraph of this Article shall apply to contracts or transactions entered into with the Company by: immediate family members of directors and senior management personnel; enterprises directly or indirectly controlled by directors, senior management personnel or their immediate family members; and other connected persons who have other associated relationships with directors and senior management personnel.

The existing Article 154 imposes an absolute prohibition on the Company from providing any loan to its directors, its holding company, or any of their respective associates. This prohibition applies even where a loan is proposed on normal or better commercial terms, fully secured by valuable assets, and clearly beneficial to the Company and its Shareholders. This “one-size-fits-all” restriction deprives the Company of legitimate commercial opportunities to generate stable interest income from its idle cash resources and does not serve the best interests of the Shareholders.

The Company considers that the existing absolute prohibition under the existing Article 154 is overly rigid, and the Proposed Amendments of Articles are necessary and intended to introduce necessary flexibility rather than to relax controls.

The new Article 154 is a provision which requires the Directors to comply with the laws, administrative regulations and the provisions of these Articles and expressly stating that the Directors owe a duty of loyalty to the Company and the Directors shall take measures to avoid conflicts and shall not abuse their powers to seek improper interests, and it will enhance the corporate governance of the Company and is in the interests and benefits of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The new Article 154 also sets out the actions that shall not be performed by the directors or their associates, including the entering into of any contract or transaction with the Company without reporting the matter to the board of directors or the shareholders' meeting and obtaining the approval of the board of directors or the shareholders' meeting in accordance with these Articles. The new Article 154 is general in nature and not specifically related to the Loan and therefore it is not conferring any benefit to TGL. Instead, it provides the Company with flexibility by requiring that any contract or transaction to be entered into between the directors or their associates and the Company in the future will be considered by the board or shareholders on a case-by-case basis, based on its merits. It therefore acts as a protective measure for the Shareholders and is beneficial to them.

The Proposed Amendments of Articles are intended to replace the absolute prohibition with a conditional permission framework. This will allow the Company to exercise commercial discretion when dealing with a connected party that demonstrates strong repayment capability and is able to provide sufficient asset security. The Proposed Amendments of Articles are not intended to confer any benefit to a single entity and instead to enhance the Company's ability to manage its cash resources efficiently and pursue reasonable returns, thereby benefiting all Shareholders as a whole.

Following the Proposed Amendments of Articles, any loan will remain subject to the approval procedures set out in the Articles (e.g. board approval and/or shareholders' meeting approval), with interested directors required to abstain from voting. In addition, any such loan will constitute a connected transaction under the Listing Rules and must be on normal commercial terms, fair and reasonable and strictly comply with all applicable requirements, including the engagement of an independent financial adviser and obtaining independent shareholders' approval. The Board considers that the Proposed Amendments of Articles strike a balanced approach, enhancing operational efficiency while maintaining strict regulatory and internal controls and will be beneficial to the Company and the overall interests of its Shareholders.

Furthermore, to avoid any potential conflict of interest, TGL will abstain from voting at the EGM on the resolution to approve the Proposed Amendments of Articles.

Save for the Proposed Amendments of Articles set out above, other provisions in the Articles remain unchanged.

The Proposed Amendments of Articles will be subject to the approval of the Shareholders by way of special resolution at the EGM and will come into effect upon such approval. After the Proposed Amendments of Articles taking into effect, the Provision of the Loan will comply with the requirements under the Articles.

LETTER FROM THE BOARD

As advised by the Company's legal advisers, the Proposed Amendments of Articles comply with the relevant PRC laws and regulations and the Listing Rules. The Articles are prepared in Chinese without an official English version. Any English translation is for reference only. In case of any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

3. PARTICULARS OF THE LOAN AGREEMENT

On 24 April 2026 (after trading hours), (i) the Company as lender; and (ii) TGL as borrower entered into the Loan Agreement, pursuant to which the Company has conditionally agreed to provide the Loan in the principal amount of RMB50 million to TGL for a period of three (3) years commencing from the date of drawdown of the Loan at a fixed interest rate of 5.5% per annum. The Company and TGL entered into the Supplemental Loan Agreements on 29 April 2026 and 4 June 2026 respectively pursuant to which they agreed that, in addition to the three conditions precedent as disclosed in the announcement of the Company dated 24 April 2026, the Provision of the Loan is also conditional upon the Shareholders having approved the Proposed Amendments of Articles at the EGM and the amendments of the interest rate and the loan-to-value ratio of the Loan.

The principal terms of the Loan Agreement are as follows:

Date	:	24 April 2026 (after trading hours)
Parties	:	(i) the Company as lender; and (ii) TGL as borrower.
Principal amount of Loan	:	RMB50 million
Use	:	the Loan shall only be applied by TGL as its working capital for its business operation and not for any other purpose without prior written consent of the Company.

The Loan will be applied by TGL (i) as to RMB20 million for procurement of raw material; (ii) as to RMB20 million for purchase of manufacturing equipment; and (iii) the remaining balance of RMB10 million for business operation working capital.

LETTER FROM THE BOARD

In addition, the Company has the rights to supervise the use of the Loan by TGL including to request TGL to provide financial statements and reports, breakdown of use of proceeds and relevant supporting documents.

Interest rate : 5.5% per annum (i.e. total interest amount of RMB8.25 million for the three (3) years term), which is a fixed rate and determined with reference to the latest 5-year Loan Prime Rate authorized and published by the National Interbank Funding Center with the endorsement of the People's Bank of China of 3.5% as at 20 April 2026 and a premium of 2.0% over this benchmark. The Company has reviewed recent loan transactions announced by listed companies in Hong Kong. The interest rates of those comparable transactions range from 3.0% to 6.5%. The 5.5% interest rate adopted by the Company falls within this range and is at a level commensurate with secured loans granted to a connected person of the Company.

The interest is payable half-yearly.

Term : a period of three (3) years from the date of drawdown of the Loan (the "**Drawdown Date**").

Repayment and prepayment : TGL shall repay the principal amount of the Loan in full and all remaining interest accrued thereon upon the maturity date.

TGL may, at any time, after giving the Company not less than thirty (30) days prior notice, prepay the outstanding amount of the Loan and interest accrued thereon in accordance with the Loan Agreement.

If TGL breaches any terms, representations or undertakings under the Loan Agreement, the Company is entitled to declare that the Loan will become due immediately and demand TGL for immediate repayment of all the principal amount of the Loan, interest accrued thereon, liquidated damages and all relevant costs and expenses incurred by the Company for enforcing its rights.

LETTER FROM THE BOARD

If TGL fails to make any repayment in accordance with the terms of the Loan Agreement, the Company is entitled to (i) demand TGL for immediate repayment of all the principal amount of the Loan and relevant interests incurred; and/or (ii) demand the Guarantors to assume joint and several liability for repayment of all the principal amount of the Loan and relevant interests incurred; and/or (iii) dispose of the Charged Properties for repayment.

- Conditions Precedent : The Provision of the Loan is conditional upon:
- (i) the Independent Shareholders having approved the Loan Agreement, the Guarantee Agreement, the Charge Agreements, and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules;
 - (ii) the Guarantors having entered into the Guarantee Agreement and the Chargors having entered into the Charge Agreements;
 - (iii) the Chargors having completed all necessary mortgage registration procedures within five (5) days after the Independent Shareholders approving the Loan Agreement, the Guarantee Agreement, the Charge Agreements, and the transactions contemplated thereunder at the EGM; and
 - (iv) the Shareholders having approved the Proposed Amendments of Articles at the EGM.

The Company will advance the Loan to TGL within five (5) working days after the fulfilment of all the above conditions precedent. As at the Latest Practicable Date, the above condition precedent (ii) has already been fulfilled while the other conditions are yet to be fulfilled.

LETTER FROM THE BOARD

- Undertakings : TGL undertakes that, during the term of the Loan, Chargors shall not sell, transfer or otherwise dispose of the Charged Properties, nor create any mortgage, pledge, attachment, freezing order or any other third-party rights over such Charged Properties, and shall not take any action that may give rise to disputes over ownership, materially impair the value, or result in any change of control in respect of the Charged Properties.
- Rights of the Company : The Company as the lender has the rights to supervise the use of the Loan by TGL and to request TGL to provide its audited financial statements and reports and other relevant supporting documents from time to time.
- Loan-to-value ratio : The Loan is fully secured by the Charged Properties valued at RMB62.3 million as at 31 March 2026, resulting in a loan-to-value (LTV) ratio of approximately 80%. The Company considers that this LTV is higher than typical bank lending standards.

The Company will conduct periodic reviews of the collateral value on a half-yearly basis and LTV ratio shall not be higher than 80%. Should the LTV ratio increase to over 80%, the Company has the right to request additional security or demand partial repayment under the Loan Agreement.

If any such review shows that the LTV ratio has exceeded 80%, the Company will immediately notify TGL and exercise its rights under the Loan Agreement to either:

- (i) request the provision of additional acceptable security to bring the LTV ratio back to or below 80%; or
- (ii) demand partial repayment of the Loan to reduce the outstanding principal amount of the Loan such that the LTV ratio falls to 80% or below.

LETTER FROM THE BOARD

- Guarantee : On 24 April 2026 (after trading hours), Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang as the Guarantors, entered into a Guarantee Agreement with the Company as the creditor and TGL as the borrower, pursuant to which the Guarantors jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement and if TGL fails to make repayment in accordance with the terms of the Loan Agreement, the Company has the right to pursue directly against the Guarantors without first seeking recourse from TGL. The guarantee obligations of the Guarantors under the Guarantee Agreement will remain valid for three (3) years after the maturity date of the Loan.
- Charged Properties : On 24 April 2026 (after trading hours), Tengy Hubei, a subsidiary of TGL, entered into the First Charge Agreement as the chargor with the Company as the chargee and TGL as the borrower, pursuant to which Tengy Hubei agrees to charge the First Charged Properties in favour of the Company to secure all liabilities and repayment obligations of TGL under the Loan Agreement.

The First Charged Properties consist of 16 commercial units situated at 1st Floor, Tianjie Shuhuacheng, Changjiang Industrial Park, Xianning City, Hubei Province, the PRC with a total construction area of 1802.44 square meters and they are owned by Tengy Hubei free from encumbrances.

According to the valuation report prepared by the Valuer, the market value of the First Charged Properties by way of market approach (which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property and this approach is commonly used to value properties where reliable market evidence is available) as at 31 March 2026 is in the amount of RMB16.1 million. Both the First Charged Properties and all the selected comparables are located within the Xian'an District of Xianning City. As they share highly similar locational attributes – with some of the adopted comparables actually located within the same development project as the subject property – the surrounding environments and market conditions are directly comparable. Accordingly, the selected comparables adequately reflect the market value of the subject property, and no location adjustments were deemed necessary.

LETTER FROM THE BOARD

On 24 April 2026 (after trading hours), Henan Tengy, a wholly owned subsidiary of TGL, entered into the Second Charge Agreement as the chargor with the Company as the chargee and TGL as the borrower, pursuant to which Henan Tengy agrees to charge the Second Charged Properties in favour of the Company to secure all liabilities and repayment obligations of TGL under the Loan Agreement.

The Second Charged Properties consist of 16 commercial units situated at 1st to 2nd Floor, Tianjie Yuhu Ludao, West Side of National Highway 107, Chengnan, Suiping County, Zhumadian City, Henan Province, the PRC with a total construction area of 4,234.16 square meters and they are owned by Henan Tengy free from encumbrances.

According to the valuation report prepared by the Valuer, the market value of the Second Charged Properties by way of market approach (which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property and this approach is commonly used to value properties where reliable market evidence is available) as at 31 March 2026 is in the amount of RMB46.2 million (together with the First Charged Properties, the market value of the Charged Properties by way of market approach as at 31 March 2026 is in the aggregate amount of RMB62.3 million). Due to a total lack of comparable market listings within Suiping County as of the valuation date, the geographical scope was extended to adjacent areas within Zhumadian City. Based on locational research, Yicheng District (驛城區) and Xiping County (西平縣) were identified as the closest geographic areas to Suiping County. Consequently, the comparable selection was restricted to these two districts to determine the market value.

LETTER FROM THE BOARD

To account for the inherent locational differences between the subject property and the comparables from Yicheng and Xiping, location adjustments were applied to the valuation. This adjustment ensures that variations in locational attributes are properly reflected, rendering the adopted comparables a reliable indicator of the property's actual market value.

For clarity, the specific selection criteria applied to this valuation are detailed below:

- The comparables must have the same or similar usage as the subject property; specifically, both must be 1st floor commercial properties;
- The market listing date of the comparable cases must be close to the valuation date, generally not exceeding 12 months;
- The difference in floor area between the comparable and the subject property should be minimal, with the comparable having a size within 300 square meters; and
- Both the comparables and the subject property must be located within Suiping County, Yicheng District, or Xiping County of Zhumadian City.

In valuing the property interests for the Charged Properties, the Valuer has valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property. None of the adopted comparables have a listing date exceeding 12 months from the valuation date. All selected references are active market listings rather than actual transaction records. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable market evidence is available.

LETTER FROM THE BOARD

Please see below details of the valuation of the Charged Properties:

No.	Address	Gross Floor Area (sq.m.)	Key inputs	Fair Value (RMB)
1	16 Commercial Units on 1st to 2nd Floors, Tianjie Yuhu Ludao, West Side of National Highway 107, Chengnan, Suiping County, Zhumadian City, Henan Province, the PRC	4,234.16	Market unit rates <i>Note 1</i> ranged from RMB16,250 to RMB26,531 per sq.m. on a gross floor area basis for the 1st-floor commercial portion of the property interest, and after making various adjustments <i>Note 2</i> , an average unit rate of RMB16,763 per sq.m. on a gross floor area basis for this portion was adopted.	46,200,000
2	16 Commercial Units on 1st Floors, Tianjie Shuhuacheng, Changjiang Industrial Park, Xianning City, Hubei Province, the PRC	1,802.44	Market unit rates <i>Note 1</i> ranged from RMB9,023 to RMB10,182 per sq.m. on a gross floor area basis, and after making various adjustments <i>Note 2</i> , an average unit rate of RMB9,502 per sq.m. on a gross floor area basis was adopted.	16,100,000
Total:				62,300,000

Note 1: All unit rates for the comparables adopted in the valuation of both subject properties were calculated based on listing prices (asking prices). This approach was necessitated by a lack of accessible, verified transaction data within the specific local real estate markets where the subject properties are located. To ensure that the listing prices serve as a proper and accurate baseline for determining market value, an asking-to-transaction adjustment (or nature adjustment) was applied within the valuation. This discount accounts for the negotiable nature of listing prices, reflecting the historical reality that final transaction prices are typically lower than initial asking prices. By incorporating these specific, market-reflective adjustments alongside standard adjustments for physical and locational attributes, the variance between asking and transaction prices has been properly mitigated. Therefore, the adjusted unit rates of the adopted comparables provide a reliable and accurate reflection of the subject properties' true market value.

LETTER FROM THE BOARD

Note 2: (i) The transaction nature adjustment of -5% accounted for the differences between the asking prices and final transaction prices to reflect the potential discounts secured through negotiations. In order to address the variances between the asking prices and final transaction prices, the Valuer has made inquiries with the local real estate agents to verify the potential discounts and applied relevant adjustment in terms of transaction nature to the asking prices; (ii) the location adjustment in the range of -5% to -20% factored in the convenience and prominence of transportation links, thereby reflecting the property's accessibility; and (iii) the size adjustment in the range of -3% to 10% accounted for potential variations in value due to differences in the total square footage or usable space of the comparable properties compared to the Charged Properties.

Taking into account (i) the Loan is fully secured by the Charged Properties with market value of RMB62.3 million as at 31 March 2026 and is sufficient to cover the principal and interest amount under the Loan Agreement; (ii) during the term of the Loan, Chargors shall not sell, transfer or otherwise dispose of the Charged Properties, nor create any mortgage, pledge, attachment, freezing order or any other third-party rights over such Charged Properties, and shall not take any action that may give rise to disputes over ownership, materially impair the value, or result in any change of control in respect of the Charged Properties; (iii) if TGL fails to make any repayment in accordance with the terms of the Loan Agreement, the Company is entitled to dispose of the Charged Properties for repayment, the Company considers that the Charged Properties will be able to safeguard the Company's assets in case of default.

Governing Law : PRC Law

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The Company is a joint stock company with limited liability established in the PRC and the Group is principally engaged in design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products.

TGL is principally engaged in manufacturing and sales of machinery and equipment. TGL is owned as to approximately 64.08% and approximately 35.92% by Mr. Bian Yu, an executive Director and vice-chairman of the Board, and Keyuan Enterprise respectively. Keyuan Enterprise is owned as to 99% by Mr. Zhang Yuanyuan, an executive Director.

LETTER FROM THE BOARD

Tengy Hubei is a company established in the PRC with limited liability. It is a subsidiary of TGL and is principally engaged in real estate development and operation, municipal engineering construction, and building materials sales.

Henan Tengy is a company established in the PRC with limited liability. It is a wholly owned subsidiary of TGL and is principally engaged in real estate development and operation, municipal engineering management, and building materials sales.

The Guarantors under the Loan Agreement are (i) Mr. Bian Yu, an executive Director and vice-chairman of the Board and the brother of Ms. Bian Shu; (ii) Ms. Bian Shu, an executive Director; and (iii) Mr. Bian Jianguang, the father of Mr. Bian Yu and Ms. Bian Shu.

According to the audited annual results announcement of the Company for the year ended 31 December 2025, the Company has bank and cash balances in the amount of RMB817.2 million as at 31 December 2025 and the cash and cash equivalents of the Group increased by approximately RMB157.1 million for the year ended 31 December 2025 to approximately RMB817.2 million when compared to approximately RMB660.1 million of the corresponding period of last year. Taking into account of the above, the Company considers that it would have sufficient internal resources and idle cash to fund the Loan and the Loan will be recorded as loan receivable of the Company. The expenses of the Company for the Provision of the Loan will be approximately HK\$600,000 (including professional parties fees, costs for convening the EGM and other general expenses), but the net effective return to the Company remains commercially acceptable and provides a meaningful premium over the Company's own average borrowing cost of approximately 3.84% and hence the Company considers that it is justifiable to grant the Loan.

The Provision of the Loan is a financial support by the Company to TGL and the Loan shall only be applied by TGL as its working capital for its business operation and not for any other purpose without prior written consent of the Company. The Loan will be applied by TGL (i) as to RMB20 million for procurement of raw material; (ii) as to RMB20 million for purchase of manufacturing equipment; and (iii) the remaining balance of RMB10 million for business operation working capital.

The Company has reviewed TGL's audited consolidated financial statements for the two years ended 31 December 2024 and 2025, as well as its unaudited consolidated financial statements for the period ended 30 April 2026. Based on TGL's profitable operations, strong net current asset position and solid net assets, the Board is satisfied that TGL is credible, financially stable and capable of repaying the Loan.

LETTER FROM THE BOARD

The table below shows the latest financial information of TGL:

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the four months ended 30 April 2026
	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	260,766.5	259,780.9	96,164.4
Profit after tax	205,356.7	205,030.1	77,425.0
Net cash generated from operating activities	303,194.7	414,116.1	34,993.0
Net cash generated from/(used in) investing activities	4,987.1	(173,730.9)	(16,870.5)
Net cash generated from/(used in) financing activities	(305,464.5)	(238,723.0)	(17,033.2)
Net increase in cash and cash equivalents	2,717.3	1,662.2	1,089.3
Cash and cash equivalents at end of the year/period	79,343.2	81,005.4	82,094.7
			As at 30 April 2026
			(Unaudited)
			<i>RMB'000</i>
Assets			
Current assets:			
Cash and cash equivalents/Bank balances and cash			82,094.7
Bills receivable			271,214.0
Trade receivables			1,847,773.7
Prepayments			422,627.8
Other receivables			4,016,406.9
Inventories			1,337,007.9
Other current assets			25,500.1
Total current assets			<u><u>8,002,625.1</u></u>

LETTER FROM THE BOARD

As at 30 April 2026

(Unaudited)

RMB'000

Non-current assets:

Long-term equity investments	150,364.1
Investment properties	33,977.9
Property and equipment	489,119.7
Construction in progress	2,971.9
Intangible assets	24,942.7
Deferred tax assets	83,073.8

Total non-current assets **784,450.1**

Total assets **8,787,075.2**

Liabilities

Current liabilities:

Short-term borrowings	522,500.0
Bills payable	434,684.0
Trade payables	377,443.6
Receipts in advance/Contract liabilities	1,145,373.1
Employee benefits payable	17,258.9
Tax payables	37,303.5
Other payables	3,912,863.7
Non-current liabilities due within one year	51.2

Total current liabilities **6,447,478.0**

Non-current liabilities:

Long-term borrowings	39,000.0
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Total non-current liabilities **39,000.0**

Total liabilities **6,486,478.0**

LETTER FROM THE BOARD

As at 31 December 2025, the Company had outstanding bank loans of approximately RMB114 million bearing an average interest rate of approximately 3.84% and the Loan's interest rate of 5.5% is higher than the Company's own borrowing cost (i.e. a better commercial term to the Company).

The Company considers that, given (i) the prevailing low-yield environment for low-risk fixed income products such as time deposits, certificates of deposit and bonds in the domestic market; (ii) the Company's substantial idle cash reserves and strong operating cash flow; and (iii) the Guarantee and Charged Properties as security for the Loan, the provision of the Loan represents a commercially reasonable and efficient use of capital.

In addition, the Company has the rights to supervise the use of the Loan by TGL including to request TGL to provide financial statements and reports, breakdown of use of proceeds and relevant supporting documents.

The Company considers that the repayment of the Loan is well protected by the measures under the Loan Agreement including (i) the Loan will be fully secured by the Charged Properties with the market value of RMB62.3 million as at 31 March 2026; (ii) the repayment of the Loan will be guaranteed by the Guarantors; and (iii) TGL shall disclose to the Company its financial and business operation status from time to time at the request of the Company so as to allow the Company to assess TGL's repayment ability. In addition to the above preventive measures, to safeguard the interest of the Group, the Company will adopt the following review process after the Provision of the Loan to TGL under the Loan Agreement:

- (i) the designated staff of the accounting department of the Company will closely monitor the due repayment by the Borrower and the loan-to-value ratio under the Loan in accordance with the terms of the Loan Agreement on a half-yearly basis and will report the same to the Board;
- (ii) the designated staff of the accounting department of the Company will compile a report on a half-yearly basis containing the following information to be submitted to the Board:
 - (a) the repayment record of TGL, in assessing whether repayments have been made punctually;
 - (b) the loan-to-value ratio under the Loan
 - (c) whether there is any breach of the terms of the Loan Agreement by TGL;

LETTER FROM THE BOARD

- (d) to verify the use of the Loan by TGL and whether it is in compliance with the terms of the Loan Agreement;
 - (e) to re-assess the repayment capability of TGL and the Guarantors to minimise any potential credit risk;
 - (f) to re-assess the value of the Charged Properties based on publicly available information and prevailing market conditions to ensure that they are sufficient to cover the principal and interest amount of the Loan;
 - (g) to assess any other factors that may impair the repayment capability of TGL and the Guarantors and/or affect the enforcement of the Charged Properties;
- (iii) the Board shall timely review the report compiled by the designated staff of the accounting department of the Company and determine whether any actions shall be required to safeguard the interests of the Company and the Shareholders as a whole.

The terms of the Loan Agreement were arrived at after arm's length negotiations between TGL and the Company. Taking into account (i) the Loan to be provided to TGL will be from the idle cash of the Company; (ii) the interest rate under the Loan Agreement is determined with reference to the latest 5-year Loan Prime Rate authorized and published by the National Interbank Funding Center with the endorsement of the People's Bank of China of 3.5% as at 20 April 2026, and a premium of 2.0% over this benchmark, and the Company will receive stable interest income in the total amount of RMB8.25 million under the Loan Agreement; (iii) TGL is a controlling Shareholder and is the beneficial owner of 43,200,350 Domestic Shares (representing approximately 32% of the total issued share capital of the Company) with the aggregate value of approximately HK\$87.7 million (based on the closing price of HK\$2.03 per H Shares as quoted on the Stock Exchange as at the Latest Practicable Date) and therefore TGL has close ties and business relationships with the Company and aligned interests, and hence the risk of default under the Loan Agreement is considered lower; and (iv) the Loan is fully secured by the Charged Properties with the value of RMB62.3 million as at 31 March 2026 as well as the Guarantee Agreement provided by the Guarantors, the Directors consider that the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The Company has considered alternative uses of the idle cash including other investment opportunities and/or distribution of dividend to shareholders. However, taking into account (i) the Company has yet to identify any suitable or viable investment opportunities so far, and the Company will invest only when opportunities arise and investment decision will only be made after careful feasibility study, thorough due diligence process and lengthy commercial discussion and negotiation process and the investment risk may generally be higher as compared to the stable interest income under the secured Loan; (ii) the Loan will provide stable interest income to the Group throughout the term of the Loan and enhance the financial position of the Group; and (iii) the Company considers that a cash dividend distribution represents a one-time outflow of capital, which would permanently reduce the Company's working capital. In contrast, the Loan is an interest-bearing asset that contributes profit to the Company while preserving the principal amount. With a strategic plan of the Company to retain sufficient funds for operational requirements and potential future investment opportunities, deploying all idle cash into dividends is not a prudent financial strategy, the Company considers that the use of the idle cash to provide the Loan is appropriate.

Given Mr. Bian Yu is a shareholder of TGL and Mr. Bian Yu is the brother of Ms. Bian Shu and the brother-in-law of Mr. Zhang Yuanyuan and Mr. Bian Yu, Ms. Bian Shu and Mr. Zhang Yuanyuan are also the directors of TGL, each of Mr. Bian Yu, Ms. Bian Shu and Mr. Zhang Yuanyuan is therefore materially interested in the transactions contemplated under the Loan Agreement and has abstained from voting on the board resolutions approving the Proposed Amendments of Articles the Loan Agreement and the transactions contemplated thereunder.

5. LISTING RULES IMPLICATIONS

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Loan Agreement and the transactions contemplated thereunder constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, TGL is the beneficial owner of 43,200,350 Domestic Shares (representing approximately 32% of the total issued share capital of the Company). TGL is therefore a controlling Shareholder and a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the Loan Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Listing Rules, other than the profits ratio), calculated based on the Loan Agreement is less than 25% yet the principal amount of the Loan is more than HK\$10 million, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular (including advice from an independent financial adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

6. EGM, PROXY ARRANGEMENT AND SHAREHOLDERS' APPROVAL

A notice convening the EGM to be held at Conference Room, 6th Floor, Tianjie Building, No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, the People's Republic of China on Thursday, 25 June 2026 at 10 a.m., is set out on pages EGM-1 to EGM-3 of this circular at which (i) a special resolution will be proposed for the Shareholders to consider and, if thought fit, approve the Proposed Amendments of Articles; and (ii) an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than twenty-four (24) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

The register of members of the Company will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, during which time no transfer of Shares will be registered. In order to be qualified for attending and voting at the EGM, all transfer documents together with the relevant share certificate must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 18 June 2026.

To avoid any potential conflict of interest, TGL will abstain from voting at the EGM on the resolution to approve the Proposed Amendments of Articles. Other than TGL, no Shareholders are required by the Listing Rules to abstain from voting at the EGM in respect of the resolution relating to the Proposed Amendments of Articles. Since each of TGL, Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang and their associates has a material interest in the Provision of the Loan, they are required by the Listing Rules to abstain from voting at the EGM in respect of the resolution relating to the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed in this circular, no other Shareholder has a material interest in the transactions contemplated under the Loan Agreement, the Guarantee Agreement, the Charge Agreements and is required to abstain from voting on the relevant resolution(s) at the EGM.

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all three independent non-executive Directors has been formed to consider the terms of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder. Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on such matters.

8. RECOMMENDATION

The Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend (i) the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Amendments of Articles; and (ii) the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter of advice from Rainbow Capital as set out on pages 32 to 56 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in Appendix I to this circular.

By order of the Board
Zhejiang Tengy Environmental Technology Co., Ltd
ZHU Xian Bo
Chairman and non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd
(a joint stock company established in the People's Republic of China with limited liability)
(Stock Code: 1527)

8 June 2026

To the Independent Shareholders

Dear Sirs,

**CONNECTED TRANSACTION
PROVISION OF THE LOAN**

INTRODUCTION

We refer to a circular (the “**Circular**”) of the Company dated 8 June 2026, of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you whether the terms of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder are fair and reasonable, whether the Provision of the Loan is in the interests of the Company and its shareholders as a whole and to advise the Independent Shareholders on how to vote for the resolution at the EGM. Rainbow Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 6 to 29 of the Circular and the letter of advice from Rainbow Capital as set out on pages 32 to 56 of the Circular, which contains, among others, its advice and recommendation regarding the terms of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder and taking into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We therefore recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM thereby approving the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. WANG Feng
*Independent non-executive
Director*

Mr. YU Chi Wing
*Independent non-executive
Director*

Mr. XIA Jiebin
*Independent non-executive
Director*

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.

Rainbow Capital (HK) Limited

8 June 2026

To the Independent Board Committee and the Independent Shareholders

Zhejiang Tengy Environmental Technology Co., Ltd
TENGY Industrial Park, Paitou Town,
Zhuji City, Zhejiang Province,
The PRC

Dear Sir or Madam,

CONNECTED TRANSACTION PROVISION OF THE LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 8 June 2026 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 24 April 2026 (after trading hours), (i) the Company as lender; and (ii) TGL as borrower entered into the Loan Agreement, pursuant to which the Company has conditionally agreed to provide the Loan in the principal amount of RMB50 million to TGL for a period of three (3) years commencing from the date of drawdown of the Loan at a fixed interest rate of 5.5% per annum. The Company and TGL entered into the Supplemental Loan Agreements on 29 April 2026 and 4 June 2026 respectively, pursuant to which they agreed that, in addition to the three conditions precedent as disclosed in the announcement of the Company dated 24 April 2026, the Provision of the Loan is also conditional upon the Shareholders having approved the Proposed Amendments of Articles at the EGM and the amendments of the interest rate and the loan-to-value ratio of the Loan.

LETTER FROM RAINBOW CAPITAL

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Loan Agreement and the transactions contemplated thereunder constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, TGL is the beneficial owner of 43,200,350 Domestic Shares (representing approximately 32% of the total issued share capital of the Company). TGL is therefore a controlling Shareholder and a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the Loan Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Listing Rules, other than the profits ratio), calculated based on the Loan Agreement is less than 25% yet the principal amount of the Loan is more than HK\$10 million, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular (including advice from an independent financial adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. YU Chi Wing, Mr. XIA Jiebin and Mr. WANG Feng, has been formed to advise the Independent Shareholders on whether (i) the entering into of the Loan Agreement, the Guarantee Agreement and the Charge Agreements is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Loan Agreement, the Guarantee Agreement and the Charge Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, TGL, Mr. Bian Yu, Ms. Bian Shu, Mr. Bian Jianguang, Tengy Hubei or Henan Tengy that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group, TGL, Mr. Bian Yu, Ms. Bian Shu, Mr. Bian Jianguang, Tengy Hubei or Henan Tengy and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Loan Agreement, the Guarantee Agreement and the Charge Agreements. Accordingly, we are of the view that we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

LETTER FROM RAINBOW CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the fairness and reasonableness of the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

1. Background information on the Group

As an integrated atmospheric pollution control solution provider, the Group is principally engaged in (i) sales of environmental protection equipment; (ii) sales of materials, including raw materials, spare parts and components and scrap materials; and (iii) rendering of services, including repair and replacement, and on-site engineering and maintenance services for those projects which were not constructed by the Group.

LETTER FROM RAINBOW CAPITAL

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as extracted from the annual reports of the Company for FY2024 and FY2025 (the “2025 Annual Report”):

(i) *Financial performance*

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	620,134	744,942	753,750
– Sales of environmental protection equipment	607,348	737,143	740,304
– Sale of materials	12,781	7,705	13,446
– Rendering of services	5	94	–
Gross profit	140,819	218,175	258,704
Other income	21,006	18,227	16,054
Distribution and selling expenses	(22,149)	(17,882)	(21,995)
Administrative expenses	(53,349)	(86,167)	(121,243)
Other expenses	(4,499)	(5,652)	(8,056)
Finance costs	(9,892)	(8,962)	(11,644)
Share of losses of associates	(10,885)	(9,846)	(10,480)
Profit before tax	61,051	107,893	101,340
Income tax expenses	(18,344)	(23,256)	(19,894)
Profit attributable to the Shareholders	42,707	84,637	81,446

FY2024 compared to FY2023

Revenue of the Group increased by approximately 20.1% from approximately RMB620.1 million for FY2023 to approximately RMB744.9 million for FY2024, primarily attributable to the increase in number of large-scale projects undertaken by the Group.

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Gross profit of the Group increased by approximately 54.9% from approximately RMB140.8 million for FY2023 to approximately RMB218.2 million for FY2024, primarily attributable to (a) the increase in revenue as mentioned above; and (b) the increase in gross profit margin from approximately 22.7% for FY2023 to approximately 29.3% for FY2024 mainly due to the decrease in the price of raw material steel and the increase in number of large-scale projects undertaken by the Group where the Group is more competitive and managed to secure higher profit margins.

The Group recorded a profit attributable to the Shareholders amounted to approximately RMB84.6 million for FY2024, representing a significant increase of approximately 98.2% from approximately RMB42.7 million for FY2023. Such increase was primarily attributable to the increase in revenue and gross profit as mentioned above, which was partially offset by the increase in administrative expenses by approximately RMB32.8 million mainly due to (a) the increase in impairment loss on assets by approximately RMB9.5 million; and (b) the increase in research and development expenses by approximately RMB13.7 million.

FY2025 compared to FY2024

Revenue of the Group increased slightly by approximately 1.2% from approximately RMB744.9 million for FY2024 to approximately RMB753.8 million for FY2025, primarily attributable to the increase in number of large-scale projects undertaken by the Group.

Gross profit of the Group increased by approximately 18.6% from approximately RMB218.2 million for FY2024 to approximately RMB258.7 million for FY2025, primarily attributable to the increase in gross profit margin from approximately 29.3% for FY2024 to approximately 34.3% for FY2025 mainly due to the decrease in the price of raw material steel and the increase in number of large-scale projects undertaken by the Group where the Group is more competitive and managed to secure higher profit margins.

Despite the increase in revenue and gross profit as mentioned above, the Group recorded a decrease in profit attributable to the Shareholders by approximately 3.8% from approximately RMB84.6 million for FY2024 to approximately RMB81.4 million for FY2025. Such decrease was primarily attributable to the increase in administrative expenses by approximately RMB35.1 million mainly due to the increase in impairment loss on assets by approximately RMB33.5 million.

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(ii) Financial position

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets, including:	283,554	275,102	277,496
Property, plant and equipment	63,772	57,495	55,847
Deferred tax assets	50,066	59,008	75,042
Investment in associates	118,207	108,361	97,881
Current assets, including:	1,513,302	1,769,934	2,092,940
Inventories	374,862	366,776	650,709
Trade and bills receivables	559,998	586,576	394,957
Bank and cash balance	453,142	660,123	817,212
Total assets	1,796,856	2,045,036	2,370,436
Current liabilities, including:	926,678	1,090,221	1,334,175
Trade and bills payables	195,040	203,193	234,778
Contract liabilities	542,933	683,591	862,375
Bank loans	89,502	85,000	114,000
Net current assets	586,624	679,713	758,765
Total liabilities	926,678	1,090,221	1,334,175
Equity attributable to the Shareholders	870,178	954,815	1,036,261

As at 31 December 2025, non-current assets of the Group amounted to approximately RMB277.5 million, which mainly included (a) property, plant and equipment of approximately RMB55.8 million; (b) deferred tax assets of approximately RMB75.0 million; and (c) investment in associates of approximately RMB97.9 million.

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As at 31 December 2025, current assets of the Group amounted to approximately RMB2,092.9 million, which mainly included (a) inventories of approximately RMB650.7 million; (b) trade and bills receivables of approximately RMB395.0 million; and (c) bank and cash balance of approximately RMB817.2 million.

As at 31 December 2025, current liabilities of the Group amounted to approximately RMB1,334.2 million, which mainly included (a) trade and bills payables of approximately RMB234.8 million; (b) contract liabilities of approximately RMB862.4 million; and (c) bank loans of approximately RMB114.0 million.

As at 31 December 2025, non-current liabilities of the Group amounted to nil.

As at 31 December 2025, the Group had equity attributable to the Shareholders of approximately RMB1,036.3 million with net current assets of approximately RMB758.8 million.

2. Information on TGL, Tengy Hubei and Henan Tengy

TGL is principally engaged in manufacturing and sales of machinery and equipment. TGL is owned as to approximately 64.08% and approximately 35.92% by Mr. Bian Yu, an executive Director and vice-chairman of the Board, and Keyuan Enterprise respectively. Keyuan Enterprise is owned as to 99% by Mr. Zhang Yuanyuan, an executive Director.

Tengy Hubei is a company established in the PRC with limited liability. It is a subsidiary of TGL and is principally engaged in real estate development and operation, municipal engineering construction, and building materials sales.

Henan Tengy is a company established in the PRC with limited liability. It is a wholly owned subsidiary of TGL and is principally engaged in real estate development and operation, municipal engineering management, and building materials sales.

LETTER FROM RAINBOW CAPITAL

3. Reasons for and benefits of the entering into of the Loan Agreement

The Provision of the Loan will not have any material impact on the Company's operation but will be able to generate interest income to the Group

Despite the fact that the Company has been actively seeking opportunities such as bank deposits and other investment opportunities, to enhance the utilisation of the idle cash of the Group, taking into account that (i) the latest RMB deposit rates offered by the major banks in the PRC are generally low; (ii) the Company will invest only when opportunities arise and investment decision will only be made after careful feasibility study, thorough due diligence process and lengthy commercial discussion and negotiation process and no viable investment opportunities have been identified; and (iii) the prevailing low-yield environment for low-risk fixed income products such as time deposit, certificates of deposit and bonds in the domestic market, the Company has yet to identify any other high quality, attractive and risk-manageable opportunities which could generate additional income to the Group. The Provision of the Loan, in the view of the management of the Company, will allow the Group to utilise its cash more efficiently and generate an additional stable income stream in the form of interest income.

As discussed in the section headed "1. Background information on the Group" above, the Group recorded (i) net current assets and bank and cash balance of approximately RMB758.8 million and RMB817.2 million, respectively, as at 31 December 2025; (ii) revenue of approximately RMB620.1 million, RMB744.9 million and RMB753.8 million for FY2023, FY2024 and FY2025, respectively; and (iii) profit attributable to the Shareholders of approximately RMB42.7 million, RMB84.6 million and RMB81.4 million, respectively. As such, the Group has sufficient financial resources and the ability to generate positive cashflow from its operating activities. Given that the Group will finance the Loan with its internal resources, the Loan of RMB50 million represents only approximately 6.6% and 6.1% of the Group's net current assets and bank and cash balance, respectively, as at 31 December 2025. In addition, as advised by the management of the Group, in order to ensure that the Company will be able to fulfil its short-term repayment obligations and daily working capital requirement during the term of the Loan, prior to the drawdown of the Loan, the Company will review its cash position to ensure sufficient cash and cash equivalents for its short-term repayment obligations and working capital after the Provision of the Loan. Based on the above, we consider that the Provision of the Loan (i) will not have any material impact on the Company's working capital requirement and operation in the foreseeable future; and (ii) will improve the efficiency of the utilisation of idle cash in the Group.

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As advised by the management of the Group, as at 31 December 2025, the borrowing cost of the Group, as indicated by the average interest rate per annum of the Group's bank loans, was approximately 3.84%. The interest rate of 5.5% per annum of the Loan is higher than the Group's borrowing cost. Meanwhile, we have researched the latest RMB deposit rates offered by the major banks in the PRC and noted that the annual interest rates of time deposits with the maturity of one year, two years, three years and five years are 0.95%, 1.05%, 1.25% and 1.30%, respectively, which are much lower than the annual interest rate of the Loan. Based on the above, the Provision of the Loan will generate relatively attractive interest income to the Group as compared with placing time deposit with commercial banks by the Group. As such, the annual interest rate of 5.5% of the Loan is fair and reasonable and in the interest of the Company and the Shareholders as a whole. In respect of alternative wealth management products, we have performed an independent research on the major banks in the PRC and noted that the Chinese banks offer a wide range of wealth management products with different investment strategies, types of underlying assets and risk levels and these products are non-principal guaranteed with variable return. Accordingly, we are unable to form a view in comparing the Loan with wealth management products offered by the major banks in the PRC.

With reference to the Letter from the Board, the total costs expected to be incurred in connection with the Provision of the Loan (including professional parties fees, costs for convening the EGM and other general expenses) will be approximately HK\$600,000. If excluding the expected total costs of approximately HK\$600,000 from the total interest amount of RMB8.25 million, the adjusted annual interest rate of the Loan would be approximately 5.1%, which is still higher than the aforesaid latest RMB deposit rates offered by the major banks in the PRC and the Group's borrowing cost. As such, we consider that the Provision of the Loan is still beneficial to the Company through generating additional stable income stream in the form of interest income.

The credit risk in relation to the Loan is low

TGL is principally engaged in manufacturing and sales of machinery and equipment. The Provision of the Loan is a financial support by the Company to TGL and the Loan shall only be applied by TGL as its working capital for its business operation and not for any other purpose without prior written consent of the Company.

LETTER FROM RAINBOW CAPITAL

Prior to the Provision of the Loan, the Group has conducted credit appraisal on the financial position and repayment capability of TGL and the respective credit risk of the Loan. Based on our review on comprehensive due diligence report of TGL prepared by the Group, we noted that the Group has assessed the business performance, profitability, liquidity, net assets and net current assets position and capital structure of TGL for the three years ended 31 December 2025 as well as the industry overview and outlook which TGL is operated in. The Group has also reviewed TGL's audited consolidated financial statements for FY2024 and FY2025 and its unaudited consolidated financial statements for the four months ended 30 April 2026 ("4M2026"). As disclosed in the Letter from the Board, for FY2024, FY2025 and 4M2026, TGL recorded profit after tax of approximately RMB205.4 million, RMB205.0 million and RMB77.4 million, respectively, and net cash generated from operating activities of approximately RMB303.2 million, RMB414.1 million and RMB35.0 million, respectively, indicating TGL's sustainable business operations and stable financial performance. As at 30 April 2026, TGL had net current assets and cash balance of approximately RMB1,555.1 million and RMB82.1 million, respectively, both of which exceeded the principal amount of the Loan of RMB50 million. We have also obtained the credit report prepared by the Group on the Guarantors and noted that the Guarantors has no public history of credit default or any litigation record.

The Company has formulated a comprehensive internal control policies to ensure the recoverability of the Loan and to follow up on the financial position of TGL, including but not limited to that the designated staff of the accounting department of the Company will compile a report on a half-yearly basis containing the following information to be submitted to the Board: (i) the repayment record of TGL, in assessing whether repayments have been made punctually; (ii) the loan-to-value ratio under the Loan; (iii) whether there is any breach of the terms of the Loan Agreement by TGL; (iv) to verify the use of the Loan by TGL and whether it is in compliance with the terms of the Loan Agreement; (v) to re-assess the repayment capability of TGL and the Guarantors to minimise any potential credit risk; (vi) to re-assess the value of the Charged Properties based on publicly available information and prevailing market conditions to ensure that they are sufficient to cover the principal and interest amount of the Loan; and (vii) to assess any other factors that may impair the repayment capability of TGL and the Guarantors and/or affect the enforcement of the Charged Properties. Although such internal control policies are detective rather than preventive in nature and TGL is not under the control of the Company, we concur with the management of the Group that the repayment of the Loan is protected and the Company's assets are safeguarded by the preventive measure stipulated under the Loan Agreement in light of that (i) the Company as the lender has the rights to supervise the use of the Loan by TGL and to request TGL to provide its audited financial statements and reports and other relevant supporting documents from time to time so as to allow the Company to assess TGL's repayment ability; (ii) the Loan is fully secured by the Charged Properties with the market value of approximately RMB62.3 million as at 31 March 2026; and (iii) the personal guarantee provided by the Guarantors to jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement.

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In addition to the above, Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang as the Guarantors have entered into the Guarantee Agreement with the Company as the creditor and TGL as the borrower, pursuant to which the Guarantors jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement and if TGL fails to make repayment in accordance with the terms of the Loan Agreement, the Company has the right to pursue directly against the Guarantors without first seeking recourse from TGL. As advised by the management of the Group, the Guarantors in aggregate hold 57,485,600 Domestic Shares as at the Latest Practicable Date. Although the Domestic Shares are not publicly traded currently, for illustrative purpose, by using the closing price of the H Shares on 24 April 2026 (being the last trading day prior to the date of the Loan Agreement) of HK\$2.0 per H Share, the Domestic Shares owned by the Guarantors would be valued at approximately HK\$115.0 million, which is larger than the principal amount of the Loan and the total interest amount for the three years term. Therefore, the personal guarantee is able to reduce the credit risk associated with the Loan. Tengy Hubei, a subsidiary of TGL, and Henan Tengy, a wholly owned subsidiary of TGL, have also entered into the Charge Agreements with the Company, pursuant to which Tengy Hubei and Henan Tengy agrees to charge the Charged Properties in favour of the Company to secure all liabilities and repayment obligations of TGL under the Loan Agreement. According to the valuation report prepared by the Valuer, the market value of the Charged Properties by way of market approach as at 31 March 2026 is in the aggregate amount of approximately RMB62.3 million, which is larger than the principal amount of the Loan and the total interest amount for the three years term. Pursuant to the Loan Agreement, if TGL fails to make repayment in accordance with the terms of the Loan Agreement, the Company is entitled to (i) demand TGL for immediate repayment of all the principal amount of the Loan and relevant interests incurred; and/or (ii) demand the Guarantors to assume joint and several liability for repayment of all the principal amount of the Loan and relevant interests incurred; and/or (iii) dispose of the Charged Properties for repayment. Although the 32 Charged Properties are concentrated in two locations which may create disposal constraints in an enforcement scenario, taking into account that (i) the market value of the Charged Properties by way of market approach as at 31 March 2026 is in the aggregate amount of approximately RMB62.3 million, which is already larger than the principal amount of the Loan of RMB50 million and thus provides space for potential oversupply and downward pressure on prices; and (ii) for illustrative purpose, the Domestic Shares owned by the Guarantors would be valued at approximately HK\$115.0 million, which is much larger than the principal amount of the Loan and the total interest amount for the three years term, the personal guarantee and the disposal of the Charged Properties would be sufficient to recover any potential loss and adequately safeguard the Company's assets in the event that TGL is unable to repay the Loan.

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In light of (i) the internal control measures taken by the Group to ensure the recoverability of the Loan and to follow up on the financial position of TGL; (ii) the personal guarantee provided by the Guarantors to jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement; and (iii) the fact that the Loan is fully secured by the Charged Properties with the market value of approximately RMB62.3 million as at 31 March 2026; and (iv) the stable financial performance and solid financial position of TGL, we consider that the credit risk of the Loan in the event TGL would not repay its liabilities is low.

Although the current Articles prohibit the Company from providing loans to its Shareholders, taking into account that (i) the new Article 154 has removed such prohibition and requires the Directors not to abuse their powers to seek improper interests; (ii) the terms of the Loan Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the Provision of the Loan is conditional upon, among others, the Independent Shareholders having approved the Loan Agreement, the Guarantee Agreement, the Charge Agreements, and the transactions contemplated thereunder as well as the Proposed Amendments of Articles at the EGM in accordance with the Listing Rules, we consider that the entering into of the Loan Agreement is in the interests of the Company and its Shareholders as a whole.

Having considered that (i) the Provision of the Loan will not have any material impact on the Company's operation but will be able to generate attractive interest income to the Group; and (ii) the credit risk of the Loan is low, we concur with the Directors that although the entering into of the Loan Agreement and the transactions contemplated thereunder is not conducted in the ordinary and usual course of the Group, it is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

4. Principal terms of the Loan Agreement

Set out below is a summary of the principal terms of the Loan Agreement as extracted from the Letter from the Board. Independent Shareholders are advised to read further details of the Loan Agreement as disclosed in the Letter from the Board:

Date	:	24 April 2026 (after trading hours)
Parties	:	(i) the Company as lender; and (ii) TGL as borrower.
Principal amount of the Loan	:	RMB50 million

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Use : The Loan shall only be applied by TGL as its working capital for its business operation and not for any other purpose without prior written consent of the Company.

The Loan will be applied by TGL (i) as to RMB20 million for procurement of raw materials; (ii) as to RMB20 million for purchase of manufacturing equipment; and (iii) the remaining balance of RMB10 million for business operation working capital.

In addition, the Company has the rights to supervise the use of the Loan by TGL including to request TGL to provide financial statements and reports, breakdown of use of proceeds and relevant supporting documents.

Interest : 5.5% per annum (i.e. total interest amount of RMB8.25 million for the three (3) years term), which is a fixed rate and determined with reference to the latest 5-year Loan Prime Rate authorized and published by the National Interbank Funding Center with the endorsement of the People's Bank of China of 3.5% as at 20 April 2026 and a premium of 2.0% over this benchmark. The Company has reviewed recent loan transactions announced by listed companies in Hong Kong. The interest rates of those comparable transactions range from 3.0% to 6.5%. The 5.5% interest rate adopted by the Company falls within this range and is at a level commensurate with secured loans granted to a connected person of the Company.

The interest is payable half-yearly.

Term : A period of three (3) years from the date of drawdown of the Loan (the "**Drawdown Date**").

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Repayment and prepayment : TGL shall repay the principal amount of the Loan in full and all remaining interest accrued thereon upon the maturity date.

TGL may, at any time, after giving the Company not less than 30 days prior notice, prepay the outstanding amount of the Loan and interest accrued thereon in accordance with the Loan Agreement.

If TGL breaches any terms, representations or undertakings under the Loan Agreement, the Company is entitled to declare that the Loan will become due immediately and demand TGL for immediate repayment of all the principal amount of the Loan, interest accrued thereon, liquidated damages and all relevant costs and expenses incurred by the Company for enforcing its rights.

If TGL fails to make repayment in accordance with the terms of the Loan Agreement, the Company is entitled to (i) demand TGL for immediate repayment of all the principal amount of the Loan and relevant interests incurred; and/or (ii) demand the Guarantors to assume joint and several liability for repayment of all the principal amount of the Loan and relevant interests incurred; and/or (iii) dispose of the Charged Properties for repayment.

Conditions precedent : The Provision of the Loan is conditional upon:

- (i) the Independent Shareholders having approved the Loan Agreement, the Guarantee Agreement, the Charge Agreements, and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules;
- (ii) the Guarantors having entered into the Guarantee Agreement and the Chargors having entered into the Charge Agreements;

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- (iii) the Chargors having completed all necessary mortgage registration procedures within five (5) days after the Independent Shareholders approving the Loan Agreement, the Guarantee Agreement, the Charge Agreements, and the transactions contemplated thereunder at the EGM; and
- (iv) the Shareholders having approved the Proposed Amendments of Articles at the EGM.

The Company will advance the Loan to TGL within five (5) working days after the fulfilment of all the above conditions precedent. As at the Latest Practicable Date, the above condition precedent (ii) has already been fulfilled while the other conditions are yet to be fulfilled.

- Undertakings : TGL undertakes that, during the term of the Loan, Chargors shall not sell, transfer or otherwise dispose of the Charged Properties, nor create any mortgage, pledge, attachment, freezing order or any other third-party rights over such Charged Properties, and shall not take any action that may give rise to disputes over ownership, materially impair the value, or result in any change of control in respect of the Charged Properties.
- Rights of the Company : The Company as the lender has the rights to supervise the use of the Loan by TGL and to request TGL to provide its audited financial statements and reports and other relevant supporting documents from time to time.

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Loan-to-value ratio : The Loan is fully secured by the Charged Properties valued at RMB62.3 million as at 31 March 2026, resulting in a loan-to-value (LTV) ratio of approximately 80%. The Company considers that this LTV is higher than typical bank lending standards.

The Company will conduct periodic reviews of the collateral value on a half-yearly basis and LTV ratio shall not be higher than 80%. Should the LTV ratio increase to over 80%, the Company has the right to request additional security or demand partial repayment under the Loan Agreement.

If any such review shows that the LTV ratio has exceeded 80%, the Company will immediately notify TGL and exercise its rights under the Loan Agreement to either: (i) request the provision of additional acceptable security to bring the LTV ratio back to or below 80%; or (ii) demand partial repayment of the Loan to reduce the outstanding principal amount of the Loan such that the LTV ratio falls to 80% or below.

Guarantee : On 24 April 2026 (after trading hours), Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang as the Guarantors, entered into a Guarantee Agreement with the Company as the creditor and TGL as the borrower, pursuant to which the Guarantors jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement and if TGL fails to make repayment in accordance with the terms of the Loan Agreement, the Company has the right to pursue directly against the Guarantors without first seeking recourse from TGL. The guarantee obligations of the Guarantors under the Guarantee Agreement will remain valid for three (3) years after the maturity date of the Loan.

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Charged Properties : On 24 April 2026 (after trading hours), Tengy Hubei, a subsidiary of TGL, entered into the First Charge Agreement as the chargor with the Company as the chargee and TGL as the borrower, pursuant to which Tengy Hubei agrees to charge the First Charged Properties in favour of the Company to secure all liabilities and repayment obligations of TGL under the Loan Agreement.

The First Charged Properties consist of 16 commercial units situated at 1st Floor, Tianjie Shuhuacheng, Changjiang Industrial Park, Xianning City, Hubei Province, the PRC with a total construction area of 1,802.44 square meters and they are owned by Tengy Hubei free from encumbrances.

According to the valuation report prepared by the Valuer, the market value of the First Charged Properties by way of market approach (which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property and this approach is commonly used to value properties where reliable market evidence is available) as at 31 March 2026 is in the amount of RMB16.1 million.

On 24 April 2026 (after trading hours), Henan Tengy, a wholly owned subsidiary of TGL, entered into the Second Charge Agreement as the chargor with the Company as the charge and TGL as the borrower, pursuant to which Henan Tengy agrees to charge the Second Charged Properties in favour of the Company to secure all liabilities and repayment obligations of TGL under the Loan Agreement.

The Second Charged Properties consist of 16 commercial units situated at 1st to 2nd Floor, Tianjie Yuhu Ludao, West Side of National Highway 107, Chengnan, Suiping County, Zhumadian City, Henan Province, the PRC with a total construction area of 4,234.16 square meters and they are owned by Henan Tengy free from encumbrances.

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According to the valuation report prepared by the Valuer, the market value of the Second Charged Properties by way of market approach (which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property and this approach is commonly used to value properties where reliable market evidence is available) as at 31 March 2026 is in the amount of RMB46.2 million (together with the First Charged Properties, the market value of the Charged Properties by way of market approach as at 31 March 2026 is in the aggregate amount of RMB62.3 million).

In order to further assess the fairness and reasonableness of the major terms of the Loan, we have conducted an independent market research on similar transactions involving the provision of loan by companies listed on the Stock Exchange to connected persons (excluding continuing connected transactions) which were announced during the period from 1 November 2025 to 31 May 2026. Having considered the features of the Loan and in our attempt to identify more representable samples, we have adopted the following selection criteria in our search: (i) the loan being denominated in RMB; and (ii) the loan has a fixed maturity of 12 to 36 months. Based on the aforesaid criteria, we have identified an exhaustive list of 12 transaction (the “**Comparable Transactions**”). We consider that the aforesaid review period is adequate and appropriate to capture the recent market practice in relation to provision of loan under the prevailing market conditions, and provide a sufficient sample for comparison with the terms of the Loan Agreement. As the Loan has a term of three years and a loan with term of 12 to 36 months is generally considered to be a medium-term loan, we consider that the basis of selecting loans with a fixed maturity of 12 to 36 months helps to identify more representative samples for the Loan.

The Shareholders should note that (i) the size, background, business, financial performance and prospects of the Group may not be the same as the listed companies of the Comparable Transactions; (ii) the background, business, financial performance and credit risks of TGL may not be the same as the borrowers of the Comparable Transactions, which were not fully disclosed in the relevant announcements from the listed companies; and (iii) we have not conducted any detailed investigation into the respective businesses and operations of the Comparable Transactions. Despite of the above, having considered the Comparable Transactions (i) are the most recent connected transactions related to the provision of loans in RMB by companies listed on the Stock Exchange to connected persons; and (ii) provide a reasonable reference as to the practice of companies listed in Hong Kong for conducting similar connected transactions under the Loan Agreement, we consider that the Comparable Transactions are exhaustive samples selected based on the above selection criteria which are fair, relevant and indicative in assessing the fairness and reasonableness of the major terms of the Loan Agreement.

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The details of the Comparable Transactions are set out below:

Date of initial announcement	Company name (stock code)	Principal amount	Annual interest rate (%)	Maturity (months)	Security
19 May 2026	Guangdong Kanghua Healthcare Group Co., Ltd. (3689.HK)	RMB28,000,000	Nil	24	Secured by personal guarantee
27 February 2026	KangLi International Holdings Limited (6890.HK)	RMB20,000,000	4.0	36	Secured by personal guarantee
12 February 2026	Jiangxi Rimag Group Co., Ltd. (2522.HK)	RMB44,000,000	6.0	36	Unsecured
10 February 2026	ImmuneOnco Biopharmaceuticals (Shanghai) Inc. (1541.HK)	RMB13,724,673.60	3.0 (Note 1)	12	Secured by certain shares owned by the borrower which shall be held in escrow by the company for the benefit of the borrower to ensure the repayment of the loan
28 January 2026	China East Education Holdings Limited (667.HK)	RMB80,000,000	6.0	18	Secured by personal guarantees
29 December 2025	Uni-Bio Science Group Limited (690.HK)	RMB4,141,013.24 to RMB8,500,000	3.0	24	Secured by a pledge over two invention patents
22 December 2025	Kinetic Development Group Limited (1277.HK)	RMB57,000,000	6.5 (Note 2)	24	Unsecured
18 December 2025	Qilu Expressway Company Limited (1576.HK)	RMB50,000,000	3.0 (Note 3)	12	Secured by a guarantee executed by a company
12 December 2025	Horizon Robotics (9660.HK)	RMB64,026,413.93	3.0 (Note 4)	12	Secured by certain shares owned by the borrower which shall be held in escrow by the company for the benefit of the borrower to ensure the repayment of the loan
12 December 2025	Lee & Man Paper Manufacturing Limited (2314.HK)	RMB55,000,000	3.0	36	Unsecured
4 December 2025	Chanjet Information Technology Company Limited (1588.HK)	RMB70,000,000	3.0	12	Unsecured
17 November 2025	Tianjin Capital Environmental Protection Group Company Limited (1065.HK)	RMB40,000,000	3.5	36	Unsecured
		Maximum	6.5		
		Minimum	Nil		
		Median	3.0		
		Average	3.7		
24 April 2026	The Company	RMB50 million	5.5	36	Secured by personal guarantees and properties

Source: website of the Stock Exchange

Notes:

- The interest rate of the loan should be one year loan prime rate published by the National Interbank Funding Center on the last business day before the drawdown date. According to the announcement of National Interbank Funding Centre, the one-year loan prime rate is 3.0% as at the date of the announcement (i.e. 10 February 2026).
- The interest rate of the loan should be 3.5% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. According to the announcement of National Interbank Funding Centre, the one-year loan prime rate is 3.0% as at the date of the announcement (i.e. 22 December 2025).

LETTER FROM RAINBOW CAPITAL

3. The interest rate of the loan should be the one-year LPR loan market quoted rate. According to the announcement of National Interbank Funding Centre, the one-year loan prime rate is 3.0% as at the date of the announcement (i.e. 18 December 2025).
4. The interest rate of the loan should be the one-year loan prime rate published by the National Interbank Funding Center on the last business day before the drawdown date. According to the announcement of National Interbank Funding Centre, the one-year loan prime rate is 3.0% as at the date of the announcement (i.e. 12 December 2025).

As shown in the table above, the annual interest rates of the Comparable Transactions range from nil to 6.5% with a median and an average of approximately 3.0% and 3.7%, respectively. The annual interest rate of the Loan, being 5.5% under the Loan Agreement, falls within the range of the interest rates of the Comparable Transactions and is higher than the median and average of the Comparable Transactions. As such, we consider that the annual interest rate of the Loan is fair and reasonable.

In respect of the security, seven Comparable Transactions had securities or guarantees attached to their respective loans to secure repayment while the remaining five Comparable Transactions did not have any securities or guarantees. Among the aforesaid seven Comparable Transactions, none of them have disclosed the value of the relevant securities. In general, having attached securities or guarantees to a loan will inevitably provide more assurances to the respective lender. The personal guarantees and the Charged Properties attached to the Loan is therefore in line with the market practice. Taking into account that (i) the market value of the Charged Properties of RMB62.3 million as at 31 March 2026 is larger than the principal amount of the Loan and the total interest amount for the three years term; (ii) if TGL fails to make repayment in accordance with the terms of the Loan Agreement, the Company is entitled to, among others, demand the Guarantors to assume joint and several liability for repayment of all the principal amount of the Loan and relevant interests incurred; and/or dispose of the Charged Properties for repayment; and (iii) the Company will conduct periodic reviews of the collateral value on a half-yearly basis and LTV ratio shall not be higher than 80%. Should the LTV ratio increase to over 80%, the Company has the right to request additional security or demand partial repayment under the Loan Agreement, we consider the personal guarantees and the Charged Properties attached to the Loan are in favour to the Company which offer a higher level of protection to safeguard the interests of the Company and its Shareholders as a whole.

In light of the above, we are of the view that the major terms of the Loan Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM RAINBOW CAPITAL

5. Valuation of the Charged Properties

As stated in the Letter from the Board, according to the valuation report (the “**Valuation Report**”) prepared by the Valuer, the market value of the Charged Properties by way of market approach as at 31 March 2026 is in the aggregate amount of RMB62.3 million (the “**Valuation**”).

We have conducted an interview with the Valuer to inquire about their qualifications and experience in valuing similar properties in the PRC, as well as their independence. In our review of the engagement letter between the Company and the Valuer and other relevant information provided by the Valuer, we noted that the Valuer is a qualified asset appraisal firm to perform valuation works in the PRC, and the responsible person of the Valuer is a registered valuer who have over 20 years of experience in conducting valuation and possess sufficient qualifications and experience in similar assets in the PRC. We have also enquired with the Valuer as to their independence, and were given to understand that the Valuer is independent of the Group, TGL, Mr. Bian Yu, Ms. Bian Shu, Mr. Bian Jianguang, Tengy Hubei and Henan Tengy. The Valuer confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Valuer, no other arrangements exist whereby they will receive any fees or benefits from the Group, TGL, Mr. Bian Yu, Ms. Bian Shu, Mr. Bian Jianguang, Tengy Hubei or Henan Tengy. We have also reviewed the terms of engagement of the Valuer, in particular in relation to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation. We have also performed work as required under note (1)(d) to Rule 13.80 of the Listing Rule in relation to the Valuer and its work as regards the Valuation. Based on the above, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

The Valuer confirmed that they have carried out site inspections and made relevant enquiries for the purpose of valuing the Charged Properties. We have discussed with the management of the Group to understand the latest status of the Charged Properties.

As stated in the Valuation Report, the Valuation is complied with all the requirements set out in the HKIS Valuation Standards (2024 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published and revised from time to time by the International Valuation Standards Council. We have discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the market value of the Charged Properties. When arriving at the Valuation, as the Charged Properties are completed and occupied by the owner as at 31 March 2026, the Valuer has adopted the market approach by comparing recent market evidence of similar properties located in the neighborhood area of the property.

LETTER FROM RAINBOW CAPITAL

As advised by the Valuer, comparable sales references are selected based on, among others, (i) time of the relevant sales references, being within one year before the valuation date; (ii) location, i.e. the same or nearby districts where the Charged Properties are located; (iii) designated usage, i.e. commercial use on the first floor; and (iv) size of floor area, i.e. within 200 (for the First Charged Properties) or 300 (for the Second Charged Properties) square meters. The Valuer considered the aforesaid criteria were commonly used in valuation practice and were considered as fair and reasonable, as they were the most relevant factors for the purpose of identifying market comparables of properties. Based on the aforesaid criteria, on an exhaustive basis, four most comparable properties have been selected for comparison purpose for each category of the Charged Properties (i.e. being the First Charged Properties and the Second Charged Properties, so that a total of eight comparable properties had been adopted). As four most comparable properties are identified on an exhaustive basis based on the aforesaid criteria which we consider to be fair and reasonable, we consider the reference to four most comparable properties is sufficient and representative. For our due diligence purpose, we have obtained and checked information of the eight comparable properties, such as location, usage, asking date, transaction situation, site area and asking price, as well as the detailed comparison and adjustment analysis prepared by the Valuer. Based on our review, we noted that (i) the comparable properties are all located within close proximity to the Charged Properties with the same usage. In particular, the First Charged Properties and all the selected comparable properties are located within the Xian'an District of Xianning City. As they share highly similar locational attributes with some of the adopted comparable properties actually located within the same development project as the subject property, the surrounding environments and market conditions are directly comparable. In respect of the Second Charged Properties, due to a lack of comparable market listings within Suiping County as of the valuation date, the Valuer extended the geographical scope to adjacent areas within Zhumadian City. Based on locational research, Yicheng District and Xiping County were identified as the closest geographic areas to Suiping County and thus the relevant comparable properties were selected within these two districts; (ii) the asking dates of the comparable properties are close to the valuation date; and (iii) the Valuer has made necessary adjustments based on factors, which include, among others, differences in transaction nature, location and size between the comparable properties and the Charged Properties. Considering the above factors, we concur with the Valuer that the selection criteria of the comparable properties are fair and reasonable and the comparable properties are appropriate and reasonable to derive a reliable opinion of the market value of the Charged Properties. As (i) the four most comparable properties are identified on an exhaustive basis which we consider to be sufficient; (ii) based on our review on the information of the comparable properties, they have fulfilled the aforesaid selection criteria; and (iii) according to the section headed "IVS105 Valuation Approached and Methods" of the International Valuation Standards published by the International Valuation Standards Council, a professional should make adjustments for any material differences between the comparable references and the subject asset. As such, adopting appropriate adjustments on valuation inputs is in compliance with the International Valuation Standards and a common market practice, we consider the selected comparable properties are suitable.

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We were further advised by the Valuer that in deriving the valuation of the Charged Properties, appropriate adjustments have been considered and made by the Valuer for relevant factors including transaction nature, location and size to reflect the differences between the comparable properties and the Charged Properties. We have discussed with the Valuer on the adjustments applied and understood that such adjustment factors were commonly adopted for valuation of properties and the Valuer has used their experience in valuing similar properties to assign different weightings to the factors when applying adjustments, which is also conducted in the same manner as required by the HKIS Valuation Standards. In this regard, we have also performed independent research and noted that, according to the section headed “IVS105 Valuation Approached and Methods” of the International Valuation Standards published by the International Valuation Standards Council, a professional should make adjustments for any material differences between the comparable references and the subject asset. Examples of common differences that could warrant adjustments may include, among others, material physical characteristics (age, size, specifications, etc.) and geographical location. As such, we considered that the factors considered by the Valuer are in compliance with the International Valuation Standards and are commonly adopted in valuation. In general, if the Charged Properties are better than comparables in terms of the aforementioned factor(s), an upward adjustment is being applied, and vice versa. In this regard, we have discussed with the Valuer on the difference in each of the aforementioned factor(s) between the comparable properties and the Charged Properties and the corresponding upward or downward adjustments being made. We noted that (i) the transaction nature adjustment of -5% accounted for the differences between the asking prices and final transaction prices to reflect the potential discounts secured through negotiations. In order to address the variances between the asking prices and final transaction prices, the Valuer has made inquiries with the local real estate agents to verify the potential discounts and applied relevant adjustment in terms of transaction nature to the asking prices; (ii) the location adjustment in the range of -5% to -20% factored in the convenience and prominence of transportation links, thereby reflecting the property’s accessibility; and (iii) the size adjustment in the range of -3% to 10% accounted for potential variations in value due to differences in the total square footage or usable space of the comparable properties compared to the Charged Properties. Based on our discussion and our review of the information of the comparable properties, we consider that the adjustments made by the Valuer are appropriate and in accordance with the International Valuation Standards. After adjustments are applied on the unit prices of the comparable properties, the Valuer had applied the average adjusted unit price of the comparable properties as the unit price of the first floor of the Charged Properties.

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As the Second Charged Properties consist of both the first floor and the second floor, the Valuer has applied a downward adjustment on the unit price of the first floor of the Second Charged Properties to derive the unit price of the second floor of the Second Charged Properties. Such adjustment is determined with reference to the floor price ratio document, which we have obtained and reviewed and considered to be fair and reasonable. The aforesaid floor price ratio document is an official document issued by the local authorities that provides reference on adjustment factors for property valuations. Specifically, this document outlines the prescribed discount ratios applied to different floor levels relative to the first floor retail unit rate. In determining the market value of the Second Charged Properties, the Valuer has made reference to the benchmark discount levels stipulated in this document, which we consider to be fair and reasonable.

Based on our discussion with the Valuer, we are given to understand that the information on the transaction price of the completed transactions of comparable properties in the PRC available in the public domain is relatively limited and there is a lack of verifiable transaction evidence in the local retail sector. Accordingly, the Valuer has adopted the asking prices as the primary pricing benchmarks. The Valuer recognises that the asking prices typically reflect a seller's initial expectations so that a reasonable discount has been applied to account for customary negotiation margins between the asking prices and final transaction prices. As advised by the Valuer, it is a common industry practice to consider comparable asking prices for valuation of properties. In order to assess the fairness and reasonableness of using asking prices in valuation, we have conducted a research on the website of the Stock Exchange and noted that four other companies listed on the Stock Exchange applied the same valuation methodology by using asking prices in valuing properties under the market approach with relevant circulars issued from 1 November 2025 to 31 March 2026 (the "**Property Comparable Transactions**"). As the relevant transactions related to these property valuations have been approved by shareholders and directors of the related listed issues, the valuation methodology of these property valuations is meaningful for reference. Based on the above, we are of the view that the adoption of asking prices is appropriate to derive a reliable opinion of the market value of the Charged Properties.

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As advised by the Valuer, in view of the limited transparency and scarcity of empirical transaction data in the local market, the precise spread between the asking prices and final transactions prices cannot be derived purely through quantitative analysis. To address this, the Valuer has conducted extensive inquiries with local real estate agents to gain qualitative insights into current supply-and-demand dynamics and prevailing market sentiments. These consultations confirmed that price negotiations are a standard market practice, necessitating the application of an asking price discount. The magnitude of this adjustment was determined through cross-referencing real-time feedback from local real estate agents with the Valuer's extensive valuation experience in the PRC property market. Based on our review on the Property Comparable Transactions, we also noted that the discount range adopted in these valuation reports to adjust for the difference between the asking prices and final transaction prices is between 5% to 10% and the transaction nature adjustment of 5% adopted by the Valuer is within the range. Based on the above, we consider the adjustment to the asking price can fairly and reasonably reflect the variance between the asking prices and final transaction prices under current market conditions.

Taking into account that (i) the comparable properties are appropriately selected for valuation of the Charged Properties; (ii) the adjustment factors applied on arriving the Charged Properties Valuation are commonly adopted in valuation of properties; and (iii) the adjustments were applied based on the Valuer's experience and in accordance with the HKIS Valuation Standards, we consider the valuation of the Charged Properties is fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Loan Agreement, the Guarantee Agreement and the Charge Agreements are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Loan Agreement, the Guarantee Agreement and the Charge Agreements, while not in the ordinary and usual course of business of the Group, is nevertheless in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

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

Long position in respect of Domestic Shares

Name of Director/ Chief Executive	Capacity/ Nature of interest	Number of Domestic Shares	Approximate %	Approximate % of Company's share capital
			of total issued Domestic Shares	
Mr. Bian Yu	Beneficial owner	7,693,250	7.69	5.70
	Interest in a controlled corporation (<i>Note 1</i>)	43,200,350	43.20	32.00
Ms. Bian Shu	Beneficial owner	2,739,750	2.74	2.03
	Family interest of spouse (<i>Note 2</i>)	43,200,350	43.20	32.00
Mr. Chen Jiancheng	Beneficial owner	1,851,000	1.85	1.37
Mr. Zhang Yuanyuan	Interest in a controlled corporation (<i>Note 3</i>)	43,200,350	43.20	32.00
	Family interest of spouse (<i>Note 4</i>)	2,739,750	2.74	2.03

Notes:

1. According to the disclosure of interest filings, these 43,200,350 Domestic Shares in the Company are beneficially owned by TGL which is in turn approximately 64.08% owned by Mr. Bian Yu and approximately 35.92% by Keyuan Enterprise. Pursuant to Part XV of the SFO, Mr. Bian Yu is deemed to be interested in TGL's interest in the Company.
2. Ms. Bian Shu, the spouse of Mr. Zhang Yuanyuan, is deemed to be interested in Mr. Zhang Yuanyuan's interest in the Company by virtue of the SFO.
3. The 43,200,350 Domestic Shares in the Company are beneficially owned by TGL which is in turn approximately 35.92% owned by Keyuan Enterprise. Keyuan Enterprise is owned as to 99% by Mr. Zhang Yuanyuan. By virtue of the SFO, each of Keyuan Enterprise and Mr. Zhang Yuanyuan is deemed to be interested in TGL's interest in the Company.
4. Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu's interest in the Company by virtue of the SFO.

(ii) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, none of the shareholders (other than Directors or chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Long position in respect of Domestic Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Domestic Shares	Approximate %	Approximate %
			of total issued Domestic Shares	of Company's share capital
Changshan County Guoxi Equity Investment Co., Ltd.* (常山縣國熙股權投資有 限公司) ("Guoxi Equity Investment")	Beneficial owner	35,235,000	35.24	26.10
TGL (<i>Note 1</i>)	Beneficial owner	43,200,350	43.20	32.00
Keyuan Enterprise (<i>Note 2</i>)	Interest in a controlled corporation	43,200,350	43.20	32.00

Notes:

1. TGL is directly interested in approximately 32.00% in the Company.
2. These 43,200,350 Domestic Shares in the Company are beneficially owned by TGL which is in turn approximately 35.92% owned by Keyuan Enterprise. By virtue of the SFO, Keyuan Enterprise is deemed to be interested in TGL's interest in the Company.

Long position in respect of H Shares

Name of Shareholder	Capacity/ Nature of interest	Number of H Shares	Approximate % of total issued H Shares	Approximate % of Company's share capital
Shou Erjun	Beneficial owner	6,000,000	17.14	4.44
Hong Kong Joint Financial Investment Ltd	Beneficial owner	5,504,400	15.73	4.08
Zhao Kaiyuan (<i>Note 1</i>)	Interest in a controlled corporation	5,504,400	15.73	4.08

Note:

1. Mr. Zhao Kaiyuan, the controlling shareholder of Hong Kong Joint Financial Investment Ltd, is deemed to be interested in Hong Kong Joint Financial Investment Ltd's interests in the Company by virtue of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates had an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

5. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

6. DIRECTORS' INTERESTS IN CONTRACTS/ARRANGEMENTS

Save for the Loan Agreement as disclosed in this circular and the continuing connected transactions (i) pursuant to the master supply agreement dated 9 December 2024 entered into between the Company and a wholly owned subsidiary of TGL in respect of the supply of industrial parts, materials and equipment as disclosed in the announcement of the Company dated 9 December 2024; (ii) pursuant to the master supply agreement dated 15 January 2024 entered into between the Company and a wholly owned subsidiary of TGL in respect of the supply of steel structural components of dust collectors as disclosed in the announcement of the Company dated 15 January 2024; and (iii) pursuant to the processing services agreement dated 2 January 2024 entered into between the Company and a wholly owned subsidiary of TGL in respect of the provision of services of processing mechanical parts and semi-finished products of environmental protection equipment as disclosed in the announcement of the Company dated 2 January 2024, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best knowledge of the Directors, the Directors confirm that there were no material adverse changes in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Rainbow Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, Rainbow Capital did not have any beneficial shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, the expert statement made by Rainbow Capital was made for incorporation in this circular.

As at the Latest Practicable Date, Rainbow Capital did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired or disposed of or leased since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up, and up to the date of this circular.

9. DOCUMENTS ON DISPLAY

The following documents will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.tengy.com) for not less than 14 days from the date of this circular up to and including the date of the EGM:

- (i) the Loan Agreement;
- (ii) the Supplemental Loan Agreements;
- (iii) the Guarantee Agreement; and
- (iv) the Charge Agreements.

10. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text in case of inconsistency.

NOTICE OF EGM

浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd
(a joint stock company established in the People's Republic of China with limited liability)
(Stock Code: 1527)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Zhejiang Tengy Environmental Technology Co., Ltd (the “**Company**”) will be held at Conference Room, 6th Floor, Tianjie Building, No. 251 Huancheng East Road, Zhuji City, Zhejiang Province, the People's Republic of China on Thursday, 25 June 2026 at 10 a.m., for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

SPECIAL RESOLUTION

1. To consider and, if thought fit, pass the following resolution (with or without amendment) as a special resolution:

“**THAT:**

- (a) the proposed amendments (the “**Proposed Amendments**”) to the existing articles of association of the Company, the details of which are set out in the circular of the Company dated 8 June 2026, be and are hereby approved with immediate effect after the close of this meeting;
- (b) any director or company secretary of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents and make all such arrangements that he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the Proposed Amendments and the adoption of new articles of association of the Company.”

NOTICE OF EGM

ORDINARY RESOLUTION

2. To consider and, if thought fit, pass the following resolution (with or without amendment) as an ordinary resolution:

“THAT:

- (a) the conditional agreement entered into between (i) the Company as lender; and (ii) Tengy Group Limited, also known as Tianjie Group Co., Ltd.* (天潔集團有限公司) (“**TGL**”) as borrower dated 24 April 2026 (the “**Loan Agreement**”) in relation to the provision of loan in principal amount of RMB50 million by the Company to TGL (copy of the Loan Agreement have been produced to the EGM and marked “A” and initialed by the chairman of the meeting for identification purpose) as supplemented by the supplement agreements entered into between (i) the Company as lender; and (ii) TGL as borrower dated 29 April 2026 and 4 June 2026 respectively (the “**Supplemental Loan Agreements**”) in relation to the amendment of the conditions precedent of the provision of loan under the Loan Agreement and the amendments of the interest rate and the loan-to-value ratio of the loan (copy of the Supplemental Loan Agreements have been produced to the EGM and marked “B” and initialed by the chairman of the meeting for identification purpose), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the conditional guarantee agreement dated 24 April 2026 entered into by the Company as creditor, Mr. Bian Yu, Ms. Bian Shu and Mr. Bian Jianguang as guarantors (the “**Guarantors**”) and TGL as borrower (the “**Guarantee Agreement**”) pursuant to which the Guarantors jointly and severally assume all liabilities and repayment obligations of TGL under the Loan Agreement (copy of the Guarantee Agreement have been produced to the EGM and marked “C” and initialed by the chairman of the meeting for identification purpose), and all the transactions contemplated thereunder, be and is hereby approved, confirmed and ratified;

NOTICE OF EGM

- (c) the conditional charge agreement dated 24 April 2026 entered by the Company as chargee, Tengy Group Hubei Real Estate Co., Ltd.* (天潔集團湖北置業有限公司) (“**Tengy Hubei**”) as chargor, and TGL as borrower (the “**First Charge Agreement**”) in relation to the charge of the 16 commercial units situated at 1st Floor, Tianjie Shuhuacheng, Changjiang Industrial Park, Xianning City, Hubei Province, the PRC with a total construction area of 1802.44 square meters owned by Tengy Hubei (copy of the First Charge Agreement have been produced to the EGM and marked “D” and initialed by the chairman of the meeting for identification purpose), and all the transactions contemplated thereunder, be and is hereby approved, confirmed and ratified;
- (d) the conditional charge agreement dated 24 April 2026 entered by the Company as chargee, Henan Tengy Property Development Co., Ltd.* (河南天潔置業有限公司) (“**Henan Tengy**”) as chargor, and TGL as borrower (the “**Second Charge Agreement**”, together with the First Charge Agreement, the “**Charge Agreements**”) in relation to the charge of the 16 commercial units situated at 1st to 2nd Floor, Tianjie Yuhu Ludao, West Side of National Highway 107, Chengnan, Suiping County, Zhumadian City, Henan Province, the PRC with a total construction area of 4,234.16 square meters owned by Henan Tengy (copy of the Second Charge Agreement have been produced to the EGM and marked “E” and initialed by the chairman of the meeting for identification purpose), and all the transactions contemplated thereunder, be and is hereby approved, confirmed and ratified; and
- (e) each of the directors of the Company be and is hereby authorised to do all such acts and things and to sign, agree, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Loan Agreement, the Guarantee Agreement, the Charge Agreements and the transactions contemplated thereunder.”

By order of the Board
Zhejiang Tengy Environmental Technology Co., Ltd
ZHU Xian Bo
Chairman and non-executive Director

Zhuji City, Zhejiang Province, the PRC 8 June 2026

NOTICE OF EGM

Registered Office and principal place of business in the PRC:

TENGY Industrial Park
Paitou Town
Zhuji City
Zhejiang Province
The PRC

Principal Place of Business in Hong Kong:

Room 1201, 12th Floor
Chung Ying Building
20 Connaught Road West
Sheung Wan
Hong Kong

Notes:

- (i) A member of the Company (“**Member**”) entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the Meeting is enclosed herewith. In the case of joint holders of any domestic share(s) (“**Domestic Share(s)**”) or H share(s) (“**H Share(s)**”) of the Company (collectively, “**Share(s)**”), only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share(s) at the Meeting, and this notice shall be deemed to be given to all joint holders of such Share(s).
- (ii) To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in case of holders of domestic shares of the Company, to the Company’s mailing address TENG Y Industrial Park, Paitou Town, Zhuji City, Zhejiang Province, the PRC, not later than 24 hours before the time appointed for holding the Meeting or any adjournment thereof or the time appointed for passing the resolution. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iii) The register of members in Hong Kong will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, during which period no transfer of H shares of the Company will be effected. The record date will be Thursday, 25 June 2026. For the identification of Shareholders eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2026.

As at the date of this circular, the executive directors of the Company are Mr. BIAN Yu, Mr. ZHANG Yuanyuan and Ms. BIAN Shu; the non-executive directors of the Company are Ms. YU Ji, Mr. CHEN Jiancheng and Mr. ZHU Xian Bo; and the independent non-executive directors of the Company are Mr. WANG Feng, Mr. YU Chi Wing and Mr. XIA Jiebin.