THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in CHTC Fong's International Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CHTC FONG'S INTERNATIONAL COMPANY LIMITED
中國恒天立信國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

FURTHER VARIATION OF THE TERMS OF CO-OPERATION AGREEMENT IN RELATION TO THE URBAN RENEWAL PROJECT AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of the Company to be held at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong on Monday, 29 November 2021 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

12 November 2021

CONTENTS

DEFINITIONS

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

"Board"	the board of Directors
"Bye-laws"	the Bye-laws of the Company
"Cash Compensation"	the sum in the amount of RMB1 billion payable by the Project Company to FNES, being part of the resettlement and demolition compensation pursuant to the Co-operation Agreement
"close associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Company"	CHTC Fong's International Company Limited (formerly known as CHTC Fong's Industries Company Limited), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Co-operation Agreement"	the co-operation agreement dated 28 March 2014 entered into between, among others, FNES and the Project Company in relation to the Urban Renewal Project (as amended by the First Supplemental Agreement and Second Supplemental Agreement)
"Covenant"	under the New Supplemental Agreement, FNES covenants to place, within 5 business days from the date of all parties' signing the New Supplemental Agreement, all of its constitutional documents, company chops, chop of its legal representative and property title deeds in a notary office's safe deposit box jointly controlled by FNES and the Project Company
"Director(s)"	the director(s) of the Company
"First Circular"	the circular of the Company dated 25 April 2014 in respect of the Co-operation Agreement relating to the Urban Renewal Project which constituted a very substantial disposal for the Company

"First Supplemental Agreement"	the supplemental agreement dated 2 April 2015 and entered into among FNES, FNECL, the Project Company and the Shenzhen Golden City Light in relation to the change of guarantor of the obligations of the Project Company and the variation of the payment terms of the second and third instalment payments of the Cash Compensation under the Co-operation Agreement
"FNECL"	Fong's National Engineering Company, Limited, a limited liability company established under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
"FNES"	立信染整機械(深圳)有限公司(Fong's National Engineering (Shenzhen) Co., Ltd.#), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"FNESHL"	Fong's National Engineering Shenzhen Holding Limited, a limited liability company established under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Land"	parcels of land with an area of approximately 113,932 m^2 located at Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen, the PRC
"Latest Practicable Date"	8 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Property"	the redeveloped properties on the Land with a gross floor area of approximately 30,000 m^2 (and, in addition, at least 100 car-parks), being part of the resettlement and demolition compensation to be payable by the Project Company to FNES pursuant to the Co-operation Agreement

"New Supplemental Agreement"	the new supplemental agreement dated 30 September 2021 and entered into among FNES, FNECL, FNESHL, the Project Company, Shenzhen Jianchengtai Investment and Shenzhen Golden City Light in relation to further variation of the terms of the Co-operation Agreement
"Project Company"	深圳市中意恒尚房地產開發有限公司 (Shenzhen Zhongyi Hengshang Real Estate Development Company Limited#), a company established under the laws of the PRC
"PRC"	The People's Republic of China
"Resettlement and Demolition Compensation Agreement"	an agreement to be entered into between the Project Company and FNES whereby the surrender of the land use rights and interests in the Land by FNES in exchange for the resettlement and demolition compensation (including the Cash Compensation and New Property) from the Project Company is officially documented for the purpose of the application to be made by the Project Company to the PRC government in connection with the Urban Renewal Project proposal and the underlying redevelopment and reconstruction plans for the Land
"RMB"	Renminbi, the lawful currency of the PRC
"Second Circular"	the circular of the Company dated 21 April 2015, in relation to, among others, the variation of the instalment payment terms and change of the guarantor on the part of the Project Company under the Co-operation Agreement
"Second Supplemental Agreement"	the second supplemental agreement dated 13 April 2016 and entered into among FNES, FNECL, the Project Company and Shenzhen Golden City Light in relation to the further variation of the payment terms of the third instalment payment of the Cash Compensation under the Co-operation Agreement (as amended by the First Supplemental Agreement)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shenzhen Golden City Light"	深圳市金城光明房地產有限公司 (Shenzhen Golden City Light Real Estate Limited#), a limited liability company established under the laws of the PRC
"Shenzhen Jianchengtai Investment"	深圳市建誠泰投資有限公司 (Shenzhen Jianchengtai Investment Company Limited#), a limited liability company established under the laws of the PRC
"SGM"	the special general meeting of the Company to be convened and held for approving and/or ratifying the New Supplemental Agreement and the transactions contemplated thereunder
"Shareholder(s)"	the registered holder(s) of the Share(s)
"Share(s)"	share(s) of par value HK$0.05 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Third Circular"	the circular of the Company dated 6 May 2016 in relation to the further variation of the payment terms of the Co-operation Agreement
"Urban Renewal Project"	the urban renewal project contemplated under the Co-operation Agreement

The English transliteration of the Chinese name in this circular, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.

CHTC FONG'S INTERNATIONAL COMPANY LIMITED
中國恒天立信國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 641)

Executive Directors
Mr. Ye Maoxin *(Chairman)*
Mr. Guan Youping *(Chief Executive Officer)*
Ms. Guo Yunfei *(Chief Financial Officer)*
Mr. Wu Xudong

Non-executive Director
Mr. Fong Kwok Leung, Kevin

Independent Non-executive Directors
Mr. Ying Wei
Dr. Yuen Ming Fai
Mr. Li Jianxin

Registered office:
5th Floor, Victoria Place,
31 Victoria Street,
Hamilton HM 10, Bermuda

Head office and principal place of business in Hong Kong:
Level 13, Tower 2,
Kowloon Commerce Centre,
51 Kwai Cheong Road,
Kwai Chung, Hong Kong

12 November 2021

To the Shareholders

Dear Sir or Madam,

FURTHER VARIATION OF THE TERMS OF CO-OPERATION AGREEMENT IN RELATION TO THE URBAN RENEWAL PROJECT AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to (i) the announcement of the Company dated 1 April 2014 and the First Circular in respect of the Co-operation Agreement relating to the Urban Renewal Project which constituted a very substantial disposal for the Company; (ii) the announcement of the Company dated 25 September 2014 in relation to the extension of time for the fulfilment of a condition precedent to the Co-operation Agreement; (iii) the announcement of the Company dated 2 April 2015 and the Second Circular in relation to, among others, the variation of the instalment payment terms and change of the guarantor on the part of the Project Company under the Co-operation Agreement; (iv) the announcements of the Company dated 13 April 2016 and 22 April 2016 and the Third Circular in relation to the further variation of the payment terms of the Co-operation Agreement; and (v) the announcement of the Company dated 30 September 2021 in relation to further variation of the terms of Co-operation Agreement under the New Supplemental Agreement.

As disclosed in the First Circular, on 28 March 2014, FNES (an indirect wholly-owned subsidiary of the Company) entered into the Co-operation Agreement with the Project Company in respect of the Urban Renewal Project. Pursuant to the Co-operation Agreement, FNES will receive (through resettlement and demolition compensation) (i) RMB1 billion in cash; and (ii) substitution of part of the existing properties on the Land (with a gross floor area of approximately 29,391 m^2) with facilities to be constructed on the redeveloped Land with a gross floor area of approximately 30,000 m^2 (and, in addition, at least 100 car-parks). Prior to entering into the Co-operation Agreement, the Land and its existing properties were used primarily as manufacturing plants. As disclosed in the Second Circular, on 2 April 2015, the First Supplemental Agreement was signed regarding the change of guarantor of the obligations of the Project Company and the deferral of the second and third instalment payments of the Cash Compensation from on or before 31 December 2015 to on or before 30 September 2016 subject to and conditional upon the approval of the Shareholders. The First Supplemental Agreement was approved, confirmed and ratified by the Shareholders at the annual general meeting of the Company held on 21 May 2015.

As disclosed in the Third Circular, on 13 April 2016, the Second Supplemental Agreement was signed regarding a further deferral of the third instalment payment of the Cash Compensation from on or before 30 September 2016 to 30 September 2017 subject to and conditional upon the approval of the Shareholders. The Second Supplemental Agreement was approved, confirmed and ratified by the Shareholders at the special general meeting of the Company held on 25 May 2016.

As at the Latest Practicable Date, FNES has received instalments of the Cash Compensation amounting to a total of RMB600 million from the Project Company and Cash Compensation amounting to RMB400 million remains outstanding.

The purpose of this circular is to (i) provide you with information regarding the New Supplemental Agreement; (ii) set out the recommendation of the Board in relation to the transactions contemplated under the New Supplemental Agreement; and (iii) give you the notice of the SGM.

NEW SUPPLEMENTAL AGREEMENT

Given the Project Company has yet to obtain all the requisite approvals from the relevant government authorities to complete the Urban Renewal Project and the difficulty to ascertain the timing of obtaining such approvals at this stage amidst the governmental implementation of its redevelopment plans in the Shenzhen area, the Project Company and FNES have agreed to amend various terms of the Co-operation Agreement primarily to accelerate payment of the remaining Cash Compensation to the Group.

On 30 September 2021 (after trading session), FNES and the Project Company (among others) entered into the New Supplemental Agreement regarding the further variation of the terms under the Co-operation Agreement in relation to the Urban Renewal Project. A summary of the principal terms of the New Supplemental Agreement is set out as follows:

Date: 30 September 2021

Parties:

(1) FNES, an indirect wholly-owned subsidiary of the Company;

(2) FNECL, an indirect wholly-owned subsidiary of the Company;

(3) FNESHL, a limited liability company established under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company (together with FNECL, as the guarantors of the obligations of FNES under the Co-operation Agreement and the New Supplemental Agreement);

(4) the Project Company;

(5) Shenzhen Golden City Light; and

(6) Shenzhen Jianchengtai Investment (together with Shenzhen Golden City Light), as guarantors of the obligations of the Project Company under the Co-operation Agreement and the New Supplemental Agreement).

Undertakings: The undertakings are as follows:

(a) To ensure the smooth progress of the Urban Renewal Project, prior to the Project Company obtaining the land use rights from the relevant government authorities, FNES and FNESHL shall not, without the consent of the Project Company, make any changes to their respective shareholding structures or increase the encumbrances attached to the rights of their shares, and FNES shall not undertake any matters that affect or may effect adversely the Project Company's rights underlying the Urban Renewal Project; and

(b) FNES undertakes not to create any encumbrances on the Land prior to the registration for surrender of its related rights in respect of the existing building structures thereon.

Covenant:	FNES covenants to place, within 5 business days from the date of all parties' signing the New Supplemental Agreement, all of its constitutional documents, company chops, chop of its legal representative and property title deeds in a notary office's safe deposit box jointly controlled by FNES and the Project Company. As at the Latest Practicable Date, the Covenant has already been duly complied with within the prescribed time.
Payment of the Cash Compensation:	As at the Latest Practicable Date, FNES has received instalments of the Cash Compensation amounting to a total of RMB600 million from the Project Company, and Cash Compensation amounting to RMB400 million remains outstanding. Pursuant to the New Supplemental Agreement, the parties agreed to vary the payment terms of the remaining Cash Compensation as follows: (a) RMB200 million in cash to be paid by the Project Company to FNES within 5 business days from the effective date of the New Supplemental Agreement (the effective date being the date of completing all necessary regulatory filings and obtaining Shareholders' approval and/or ratification of the New Supplemental Agreement at the SGM); and (b) the remaining RMB200 million in cash to be paid by the Project Company to FNES on or before 20 December 2021.
Mode of co-operation:	The Project Company will deliver the New Property to FNES and register FNES as the owner of the land use rights and property rights of the New Property within 48 months after the Project Company obtains the land use rights from the relevant government authorities.

Notwithstanding the above, the Project Company will deliver the New Property to FNES no later than 31 December 2034. If the Project Company fails to do so, unless otherwise negotiated between the Project Company and FNES by that time:

(a) the Project Company shall pay to FNES a rental compensation, which will be calculated on the basis of the market rent of comparable properties in the area; or

(b) FNES shall be entitled to accept at its option from the Project Company another property of the same value ("Substitute Property") as the New Property instead.

Should FNES elect to accept the Substitute Property instead of the New Property, the Project Company and FNES will negotiate and mutually agree on a suitable Substitute Property by reference to various factors, including but not limited to its use, market value, location and whether it is subject to any governmental or other regulations.

In order to ensure that the Substitute Property will be of approximately the same value as the New Property, FNES and the Project Company will jointly appoint an independent valuer to conduct an independent valuation of the Substitute Property. The fee for engaging such independent valuer will be shared equally between FNES and the Project Company.

In the unlikely event that FNES disagrees with the valuation by the jointly appointed independent valuer, FNES may engage a separate independent valuer to provide a second opinion. If there is a significant difference between the valuation conducted by the jointly appointed independent valuer and the valuation conducted by the separate independent valuer engaged by FNES, FNES will negotiate with the Project Company and propose to either: (i) adopt one of the valuations; or (ii) adopt the average between the two valuations.

Taking into account the above, the Board considers that such arrangement relating to the Substitute Property is fair and reasonable.

Default and termination: As the timeframe of the remaining instalment payments of the Cash Compensation has been varied under the New Supplemental Agreement for the Cash Compensation to be paid ahead of the originally agreed schedule in favour of the Group, in return, if FNES breaches the terms of the New Supplemental Agreement, the Project Company is entitled to terminate the Co-operation Agreement (as supplemented by the New Supplemental Agreement) and request FNES to repay double the amount of the Cash Compensation that has already been paid by the Project Company to FNES and to compensate the loss of profits suffered by the Project Company under the Co-operation Agreement (as supplemented by the New Supplemental Agreement).

In the event that the Project Company breaches the terms of the New Supplemental Agreement in relation to the payment of the Cash Compensation, the Project Company is liable to pay FNES damages calculated at a daily rate of 0.03% of the outstanding Cash Compensation.

As at the Latest Practicable Date, FNES has received instalments of the Cash Compensation amounting to a total of RMB600 million from the Project Company. On this basis, in the event that FNES breaches the terms of the New Supplemental Agreement and the Project Company terminates the Co-operation Agreement and requests FNES to repay double the amount of the Cash Compensation already paid, FNES would be required to pay a total amount of RMB1.2 billion to the Project Company. In the event that FNES breaches the terms of the New Supplemental Agreement after the outstanding RMB400 million of the Cash Compensation has already been paid to FNES (i.e. the Cash Compensation has been fully paid by the Project Company), the maximum exposure of FNES if the Project Company terminates the Co-operation Agreement and requests FNES to repay double the amount of the Cash Compensation would be a total amount of RMB2 billion. As for the loss of profits suffered by the Project Company, this is expected to relate to the Project Company's loss of profits arising from the redeveloped Land. However, the loss of profits to be suffered by the Project Company cannot be ascertained with certainty, as it depends on the nature of the breach and various external factors, such as relevant governmental policies and regulations at the time, which may impact the Project Company's losses.

The above terms in relation to default and termination were determined after arm's length commercial negotiations among the parties, with reference to terms that are market practice and rates that are common market rates used in agreements in relation to business operations and properties in the PRC, and taking into account factors including but not limited to the accelerated payment of the remaining Cash Compensation to the Group pursuant to the New Supplemental Agreement, the potential (and remoteness of) losses of the parties in the event of default and inflation.

Taking into account the above, the Board considers that the above terms in relation to default and termination are fair and reasonable.

Save as disclosed above, the terms and conditions of the Co-operation Agreement (as amended by the First Supplemental Agreement and Second Supplemental Agreement) remain substantively unchanged and continue to be in full force and effect.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Project Company, its guarantors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIALS IMPLICATIONS

The net book value of the Land and its existing properties based on the management accounts of the Group as at 30 April 2021 was approximately RMB38 million (equivalent to approximately HK$46 million). Based on the valuation report prepared by 北京中資房地產土地評估有限公司 (Beijing Zhongzi Real Estate Appraisal Co., Ltd.), an independent valuer, the valuation of the Land and its existing properties thereon amounted to approximately RMB461 million (equivalent to approximately HK$556 million) as at 30 September 2021. Please refer to the valuation report set out in Appendix II.

The reconciliation of the value of the Land and its existing properties as at 31 December 2020, being the end of the last period reported on by the reporting accountants, and the value of the Land and its existing properties as at 30 September 2021, being the valuation date, is as follows:

	HK$
Net book value of the Land and its existing properties as at 31 December 2020	46,209,823.25
Adjustment to reflect the value of the Land and its existing properties as at 30 September 2021	510,396,835.89
Value of the Land and its existing properties as at 30 September 2021	556,606,659.14

Upon completion of the transactions contemplated under the Co-operation Agreement (as amended) and subject to auditors' review, the Group expects to record a gain on disposal in the amount of approximately RMB702 million (equivalent to approximately HK$856 million) calculated by reference to the difference between (i) the Cash Compensation (being RMB1 billion (equivalent to approximately HK$1.2 billion)), and (ii) the aggregate of the net book value of the Land and its existing properties referred to above (being approximately RMB38 million (equivalent to approximately HK$46 million)) and employee compensation including severance and other statutory payment arising as a result of the Urban Renewal Project (being approximately RMB260 million (equivalent to approximately HK$303 million)). The value of the New Property and the car-parks to be acquired by the Group, and the tax expenses which may be incurred in connection with the transactions contemplated under the Co-operation Agreement, cannot be estimated with any certainty at this stage given the redevelopment plan under the Urban Renewal Project (including the specifications of the New Property and the car-parks to be constructed) is subject to approval by relevant governmental authorities, and which in turn may affect the relevant taxes payable. Based on current information available to the Board, the Directors believe that the amount of the tax expenses is expected not to exceed RMB140 million (equivalent to approximately HK$171 million).

REASONS FOR ENTERING INTO THE NEW SUPPLEMENTAL AGREEMENT

The Group has taken the following factors into consideration of entering into the New Supplemental Agreement:

(i) there being no certainty of the actual timing for obtaining the necessary approvals and confirmations from the relevant government authorities and the Group is therefore not in a position to provide specific estimation of the completion date. The timeline of the Urban Renewal Project is mainly dependent on such approvals and confirmations, which could be affected by the local government's general redevelopment plans; and

(ii) varying the timeframe of the remaining instalment payments of the Cash Compensation in the sum of RMB400 million to be paid ahead of the originally agreed schedule (which was subject to the Project Company having obtained the relevant approvals and fulfilled related milestones, the specific timing of which is still unable to be ascertained as referred to above) would be beneficial to and in favour of the Group.

The Board believes that barring unforeseen circumstances, the Group's compliance with the Undertakings and Covenant is within the Group's control. Therefore, the risk of non-compliance leading to the termination of the New Supplemental Agreement on the Group's part is relatively low.

The use of proceeds remain substantively the same as that set out in the First Circular and as updated in the Company's Annual Report 2020, with RMB350 million used to compensate the relocation expenses including plant disposal, employees' compensation and business losses arising from the relocation, incurred up to the year ended 31 December 2020. The balance of RMB250 million Cash Compensative already received have been used to repay loans taken out by the Group for the purpose of the construction of Phase II of the Zhongshan manufacturing plant. As at the Latest Practicable Date, there are a total of two phases for the construction of the Zhongshan manufacturing plant and there are no current plans for any future phases of the construction. Therefore, Phase II is currently the final phase and as at Latest Practicable Date, the construction of the Zhongshan manufacturing plant is substantially complete. Out of the remaining RMB400 million, the receipt by the Group of which shall be accelerated under the New Supplemental Agreement, RMB40 million will be used for the purpose of settling construction costs for the Group's Zhongshan manufacturing plant by the end of June 2022 and the remaining amount will be used as working capital for the Group, in particular but not limited to upgrading and improving the automated manufacture procedures in the Zhongshan manufacturing plant by acquiring additional production equipment and upgrading its automation facilities over the next 12 months.

Although the timeline of the Urban Renewal Project and its completion date cannot be ascertained at this stage, the Group decided not to proceed with other alternatives. For example, the Group decided not to seek other potential buyers for the Land because not only is it difficult for the Group to secure another buyer, the completion of the Urban Renewal Project is mainly dependent on the approvals and confirmations of government authorities, which is out of the parties' control. Therefore, even if the Group were to secure another buyer for the Land, the requisite approvals from the relevant government authorities would still be required and the completion of the Urban Renewal Project with the other buyer would still be dependent on such approvals. Furthermore, the Group does not wish to terminate the Co-operation Agreement as the Group is keen to receive the New Property and to receive the Cash Compensation on an accelerated basis to provide for further liquidity for flexibility and the termination of the Co-operation Agreement would also result in FNES repaying the Cash Compensation to the Project Company, all of which has already been utilised. The Group is particularly keen on receiving the New Property as it offers unique advantages to the Group due to the convenience of the New Property's geographical location, its facilities which are essential to advancing the Group's research and development and the fact that (after extensive research by the Group) it is extremely difficult to find a suitable replacement which offers the Group the same benefits as the New Property does.

Given that the Project Company has yet to obtain all the requisite approvals from the relevant government authorities to complete the Urban Renewal Project and the difficulty to ascertain the timing of obtaining such approvals at this stage, the New Supplemental Agreement is favourable to the Group as it is entered into primarily to accelerate payment of the remaining Cash Compensation to the Group.

The Board considers that the revised terms contemplated under the New Supplemental Agreement were determined after arm's length negotiations among the parties and taking into account the Undertakings under the New Supplemental Agreement, the timeline of the Urban Renewal Project and the abovementioned reasons, the Board considers that the entering into of the New Supplemental Agreement is in the interests of the Company and the Shareholders as a whole, and the revised terms set out therein are fair and reasonable.

GENERAL

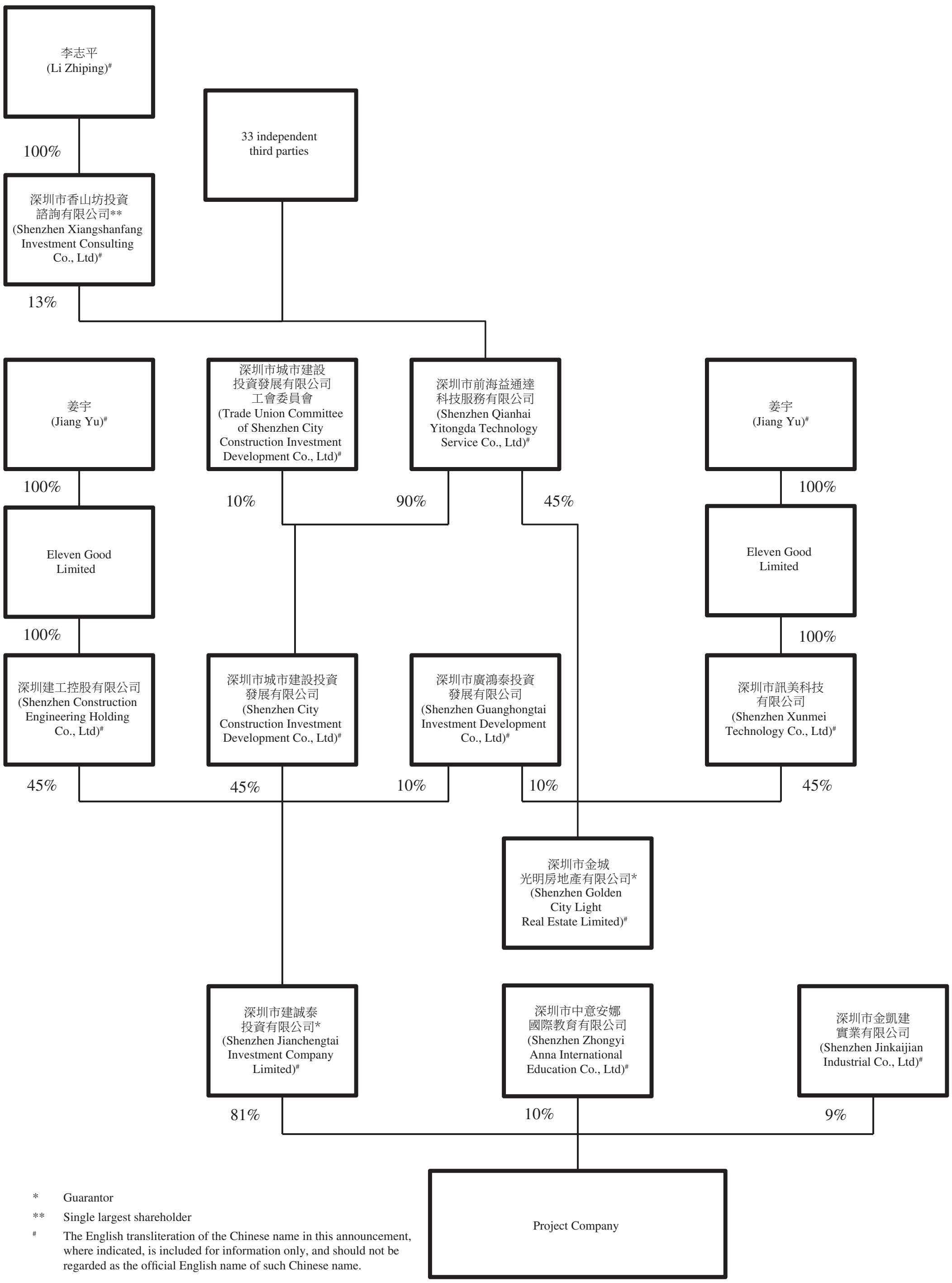
The Group is principally engaged in the manufacture and sale of dyeing and finishing machines, manufacture and sale of stainless steel casting products and the trading of stainless steel supplies. FNES is engaged in the manufacture and sale of dyeing and finishing machines.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Project Company is a limited liability company established under the laws of the PRC and its principal business is real estate development. The Project Company and its ultimate beneficial owners are all third parties independent of the Company and its connected persons and are not connected persons of the Company.

The Group has also been informed that Shenzhen Golden City Light is principally engaged in property development business whilst Shenzhen Jianchengtai Investment is principally engaged in corporate governance and business consulting.

A structure chart of the Project Company together with its guarantors is as follows:

Group Structure of Project Company and its guarantors



* Guarantor

** Single largest shareholder

\# The English transliteration of the Chinese name in this announcement, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.

EFFECTS ON EARNINGS, ASSETS AND LIABILITIES

After completion of the Co-operation Agreement, the Group is expected to record a gain on disposal of the Land and its existing properties thereon. However, as referred to in the paragraph "Financials Implications" above, the actual gain on disposal of the Land and its existing properties thereon cannot be ascertained at this stage as it depends on a number of factors including but not limited to the actual value of the New Property and the car-parks and the tax expenses.

The Board currently expects that, upon delivery of the New Property to the Group following completion of the Co-operation Agreement, the New Property will continue to be used by the Group as the Group's sales office, product design and research and development facilities. However, the Group may also consider other options at the time such as leasing part of the New Property depending on the then market conditions and the Group's operating needs, whereby the Group's earnings may be increased accordingly.

Upon completion of the Co-operation Agreement, the Group will no longer recognise any amortisation nor depreciation on the Land and its properties thereon. However, based on the expected size of the New Property and the number of car-parks to be acquired, the Group expects to record an even bigger amount of amortisation and depreciation going forward and, together with the expected receipt of the Cash Compensations, the Group is expected to record an increase in assets without an increase in liabilities to the same extent (subject to the future capital investment and business performance of the Group) solely as a result of completion of the Co-operation Agreement.

SPECIAL GENERAL MEETING

As the revised terms under the New Supplemental Agreement constitute material variation of the terms of the Co-operation Agreement (as amended), such terms will be conditional upon the approval and/or ratification by the Shareholders. As such, the Company will be seeking the approval and/or ratification of the New Supplemental Agreement by the Shareholders at the SGM.

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. At the SGM, an ordinary resolution will be proposed to approve and/or ratify the New Supplemental Agreement and the transactions contemplated thereunder.

According to bye-law 70 of the Bye-laws, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by, among others, the chairman of such meeting. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except for resolution which relates purely to a procedural or administrative matter. In order to comply with the Listing Rules, the chairman of the SGM will demand a poll for every resolution put to the vote at the SGM pursuant to bye-law 70 of the Bye-laws. The Company will announce the poll results after the SGM.

Any Shareholder with a material interest in the variation of the payment terms of the Co-operation Agreement under the New Supplemental Agreement and his close associates will be required to abstain from voting at the SGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder is required to abstain from voting on the relevant resolution to be proposed at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the New Supplemental Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and recommend all the Shareholders to vote in favour of the ordinary resolution set out in the notice of SGM.

ADDITIONAL INFORMATION

As the New Supplemental Agreement shall take effect subject to the conditions set forth therein, the New Supplemental Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

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

The English text shall prevail over the Chinese text in this circular.

Yours faithfully,
For and on behalf of
CHTC Fong's International Company Limited
Ye Maoxin
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three years ended 31 December, 2018, 2019 and 2020 and the unaudited financial information of the Group for the six months ended 30 June 2021 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.fongs.com) respectively:

– annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 65 to 195):
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn20190425447.pdf

– annual report of the Company for the year ended 31 December 2019 published on 21 April 2020 (pages 61 to 181):
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100325.pdf

– annual report of the Company for the year ended 31 December 2020 published on 21 April 2021 (pages 58 to 171):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100450.pdf

– interim report of the Company for the six months ended 30 June 2021 published on 15 September 2021 (pages 4 to 24):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0915/2021091500494.pdf

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis on the Group for the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, respectively (as if the Land and its existing properties thereon were not part of the Group):

For the year ended 31 December 2018

Operating Results

For the year ended 31 December 2018 ("FY2018"), the Group recorded consolidated revenue of approximately HK$3,472,000,000, representing a slight increase of 2% as compared to approximately HK$3,404,000,000 for last year. Profit attributable to owners of the Company was approximately HK$141,000,000, representing a decrease of 50% as compared to approximately HK$281,000,000 for last year. Basic earnings per share for FY2018 was 12.82 HK cents as compared to 25.56 HK cents for last year.

Manufacture and Sale of Dyeing and Finishing Machines

The dyeing and finishing machine manufacturing industry is facing intense competition. Besides, the breakout of trade war between China and the United States has clouded the global economic environment. The ongoing trade war discouraged some customers in China from investing in production equipment, which posed challenges to the dyeing and finishing machine business of the Group. However, the overall sales of dyeing and finishing machines had not been significantly affected thanks to the concerted efforts of the Group's operating team to increase promotions in overseas markets and improve the quality and competitiveness of our products. For FY2018, this business segment recorded revenue of approximately HK$2,695,000,000, accounting for 78% of the Group's revenue and representing a slight increase of 1% from approximately HK$2,669,000,000 for last year. In particular, combined sales from Hong Kong and the PRC markets were approximately HK$1,228,000,000, representing a decrease of 9% from approximately HK$1,343,000,000 for last year; while sales from overseas markets were approximately HK$1,467,000,000, representing an increase of 11% from approximately HK$1,326,000,000 for last year. Along with the price pressures on orders exerted by the economic uncertainties during the second half of 2018 and the increasing price of stainless steel as the major raw materials, gross profit margin recorded an decrease and operating profit decreased by 60% to approximately HK$121,000,000 from approximately HK$300,000,000 for last year.

The Group has successfully launched numerous new dyeing and finishing machines in recent years, including DYECOWIN High Temperature Dyeing Machine, SUPERWIN High Temperature Package Dyeing Machine, TECWIN High Temperature Dyeing Machine, SINTENSA CYCLONE TANDEM High Efficiency Washing Compartment, MONTEX 6500 Stenter Frame Range, MONFORTEX 8000 Shrinking Range and TIMATEC coating technology, etc. These new models and technologies, which are more environmentally friendly and energy efficient, helped solidify the Group's market share and have received high recognition from the customers. It has been the Group's persistent business direction to maintain long-term sustainable development. Hence, facing the various market and operational challenges, the Group will continue to focus on the proactive investment in research and development of technology and technical processes in regards to dyeing and finishing machinery, optimising existing product designs and enhancing the quality and reliability of its products so as to maintain its competitiveness.

In order to cater to the future development of the textile industry, the demand on automated production and the new trend of smart factories, the Group will continue to invest resources in enhancing the efficiency, as well as the functions of environmental protection, energy saving and automation of its dyeing and finishing machines so as to provide innovative energy-saving and eco-friendly equipment and solutions to customers, thus creating more value.

As set out in the Annual Report 2017, in mid-2017, the Group signed a strategic cooperation agreement with Yantai Yelin Textile Printing & Dyeing Co., Ltd.(煙臺業林紡織印染有限責任公司)to establish a joint venture company, Yantai Yelin Textile Technology Co., Ltd.(煙臺業林紡織科技有限公司), in Yantai, the PRC. The joint venture company will engage in printing, dyeing and after-finishing of high-end fabrics by developing the most advanced automatic printing and dyeing production line in the PRC with the new automatic printing and dyeing solutions of the Group. The concept of automatic printing and dyeing production line has been listed as one of the typical fields of national intelligent manufacturing enterprises by the Ministry of Industry and Information Technology. The joint venture company will become the first demonstration enterprise, where the Group will be able to showcase its automatic production solutions on printing and dyeing to customers.

In December 2018, the Group established a wholly-owned subsidiary, Zhejiang CHTC Fong's Intelligent Printing and Dyeing Machinery Co., Ltd.(浙江恒天立信智能印染機械有限公司), in Binhai Industrial Park, Keqiao Economic and Technological Development Zone, Shaoxing City, Zhejiang Province, the PRC. Subsequently on 30 January 2019, the Group successfully obtained a parcel of industrial land located at the park by way of open tender auction organised and held by the Shaoxing Keqiao Public Resources Trading Centre(紹興市柯橋區公共資源交易中心). The land occupies an area of approximately 115 mu (76,680 m^2) with a land use right of 50 years and the land premium was RMB40,257,000. The Group plans to construct a base in the park for research and development, design, manufacture and marketing of intelligent supporting system for dyeing and finishing equipment to our customers. The base will mainly focus on (i) central chemical measuring and dispensing system, (ii) central intelligent control system for printing and dyeing equipment, (iii) exhaust gas purification device and system for stenter frames, (iv) automated intelligent material handling system of textile fabrics and production supplies, and (v) computerised numerical controlled machining centre for core components required for the supporting systems. The establishment of such base for manufacture and supply of intelligent supporting systems for dyeing and finishing machines in Shaoxing will help cement the Group's market position and business development in the dyeing and finishing machinery industry.

The new production plant of the Group located at Linhai Industrial Park, Tsui Hang New District, Zhongshan City, Guangdong Province, the PRC is starting to conduct interior decoration and equipment installation by phases. It is expected that the relocation of production lines to the new Zhongshan plant will be completed in 2019. Upon full operation of the new plant, the Group's production capacity is expected to increase significantly. The new Zhongshan plant will be keen on improving energy conservation and production efficiency, as well as applying more automated processes in its production process to shorten the production cycle and reduce manpower and management costs, and thus improve the Group's operation efficiency.

Meanwhile, the Group will continue to streamline its organisational structure and business process to improve overall operating performance and productivity; maintain its commitment to employing stringent controls over supply chain costs and quality; and explore new markets and sales channels to expand the Group's customer base and the market share of its products, all in an effort to maintain leading position in the market and pave way for further business development.

Looking forward, Chinese government has proactively launched various reforming and innovative initiatives in recent years to propel domestic demand and promote requirements on ''Environment Protection and Energy Saving'' by encouraging technological transformation and upgrading in traditional industries to replace and purchase manufacturing equipment for capacity expansion. Those policies will have a positive effect on economic growth in the long run, and also provide new opportunities for the Group in the medium to long term development. The Board believes that the Group has laid a solid foundation for its mission to ''become a world-class manufacturer of dyeing and finishing machinery''. By excelling ourselves and striving to continuously broaden product offerings for our customers, we will use our best endeavour to increase our market share and make the Group bigger and stronger.

Trading of stainless steel supplies

The breakout of trade war between China and the United States has clouded the global economic environment. The ongoing trade war has negatively influenced the stainless steel supplies market, which led to a decrease in sales of stainless steel supplies of the Group. On the other hand, the stainless steel price has posted a steady rise since the beginning of 2017, and the gross profit margin from stainless steel distribution also experienced an increase. For the year ended 31 December 2018, this business segment recorded revenue of approximately HK$262,000,000, accounting for approximately 7% of the Group's revenue and representing an decrease of 14% as compared to approximately HK$305,000,000 for last year. Operating profit for the year amounted to approximately HK$18,000,000 as compared to profit of approximately HK$14,000,000 for last year.

In respect of trading of stainless steel supplies, the Group has established strong relationship with some global leading steel manufacturing companies since commencing the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end-users, while procuring stainless steel raw materials for the Group's dyeing and finishing machines business in a more cost-effective way.

The Group will continue to adopt a prudent approach in running this business. It will take appropriate actions to mitigate market risks, adjust selling prices and inventory level appropriately and in a timely manner based on market analysis and its judgment, in order to improve the inventory turnover ratio while minimising the risk on price fluctuations. At the same time, the Group will strengthen the credit management of sales and trade receivables in order to lower the risk of bad debts and improve its cash flow.

Looking into 2019, the price of stainless steel is expected to remain stable with slight fluctuations. The construction industry in Hong Kong is booming as more major infrastructure projects have commenced, which, coupled with the accelerated pace of urbanisation and infrastructure construction in the PRC, will provide opportunities for trading of stainless steel. Therefore, the Group remains optimistic on the prospect of the stainless steel trading business. The Group will closely monitor and response to market changes to maintain steady growth in this business segment.

Manufacture and sale of stainless steel casting products

The products of this business segment are primarily high-quality castings and machined processing parts made of stainless steel, dual-phase steel and nickel-based alloys that are widely used in industrial equipment in industries such as valves, pumps, chemical, oil and natural gas and foods, with customers principally hailing from Europe, the United States and Japan.

For the year 2018, this business segment recorded revenue of approximately HK$494,000,000, accounting for 14% of the Group's revenue and representing an increase of 16% as compared to approximately HK$426,000,000 for last year. Operating profit increased to approximately HK$81,000,000 from approximately HK$56,000,000 for last year. This business segment performed well as a whole with satisfactory growth in results.

The Group will continue to optimise cost control, improve workshops and the production processes of certain products, increase automated production equipment, reduce the scrappage rate of its products and enhance product quality, and develop new customers. On the other hand, the Group has established a marketing centre in Atlanta, Georgia to expand its sales network in the United States, aiming for more orders and laying a solid foundation for sustainable and healthy development of this business segment.

The Group believes that market demand for high-quality stainless steel casting products will continue to grow in the mid to long term. It is anticipated that, this business segment will maintain steady revenue growth and make sustainable contribution to the Group's profit.

Environmental Protection Services

As stated in the Annual Report 2017 of the Company, the Group completed the acquisition of 51% equity interest in Beijing CSCE Environmental Engineering Technology Co., Ltd. ("CSCE") on 27 October 2017. CSCE and its subsidiaries are principally engaged in kitchen wastes innocuous treatment projects and animal carcasses innocuous treatment projects in the PRC.

Taian China Science Environmental Engineering Co., Ltd. (泰安中科環保工程有限公司) ("CSEE"), a wholly-owned subsidiary of CSCE, obtained the concession rights to operate kitchen wastes recycling and innocuous treatment projects for the urban area of Taian City, Shandong Province in June 2013, and has established a kitchen wastes treatment plant at the northern foot of Hama Mountain (蛤蟆山) in Taian City. In 2014, CSEE was entrusted by the Environmental Health Management Office of Taian City (泰安市環境衛生管理處) ("Taian Health Office") to operate the sewage treatment plant of a landfill neighbouring its kitchen wastes treatment plant, pursuant to which, CSEE was required to upgrade the plant to improve its sewage treatment capability and provide treatment for the sewage generated from the landfill during its operations of burying ash-slag wastes on a free-of-charge basis for Taian Health Office. However, the domestic waste disposal operations in the ash-slag landfill resulted in a significant change in the leachate and the quantity of sewage from the landfill, which materially affected the biological wastewater treatment system of CSEE. Treatment of such sewage is beyond the scope of work stipulated in the agreement between CSEE and relevant government authority and also exceeds the sewage treatment capabilities of CSEE. As a result, the kitchen wastes treatment plant has been taken over by Taian Health Office since January 2019.

Taian CSCE Environmental Engineering Technology Co., Ltd. (泰安中科潔能環境工程技術有限公司) ("Taian CSCE") and Dongping CSCE Environmental Engineering Technology Co., Ltd. (東平中科潔能環境工程技術有限公司) ("Dongping CSCE"), being wholly-owned subsidiaries of CSCE, obtained the concession rights to operate animal carcasses innocuous treatment projects in March 2017 and February 2018 respectively. Having obtained the concession rights, Taian CSCE invested and constructed an animal carcasses innocuous treatment facilities, but the facilities failed to meet the environmental requirements for its normal operations and had suspended operations since August 2017. Upon its acquisition of CSCE, the Group conducted technical transformation for the facilities of Taian CSCE to improve the production processes and rectify its odor problem. Following inspection by the Taian Daiyue District Government (泰安市岱嶽區政府), Taian CSCE received the approval to restore operations on 27 September 2018 and resumed trial production on 28 September 2018. Due to environmental problem, operations of the animal carcasses innocuous treatment facilities are at a standstill and Dongping CSCE has stopped collection and transportation of animal carcasses. The Group is now actively negotiating with the government in respect of collection and innocuous treatment of animal carcasses, seeking to reach a solution on resumption of operations and realisation of relevant government subsidies so that the companies can continue its performance of concession agreement and normal operations to avoid causing losses to the companies.

For the year ended 31 December 2018, this business segment recorded revenue of approximately HK$21,000,000, while the operating loss amounted to approximately HK$33,000,000. The Board believes that the current operating position of this business segment will not have a material adverse effect on the overall financial position of the Group. The Company will consider disclosing updates on this business segment for any further development as and when appropriate.

Major acquisition of assets

As disclosed in the Interim Report 2018 of the Company, on 12 April 2018, Fong's Manufacturers Company Limited (the ''Purchaser''), a wholly-owned subsidiary of the Company, entered into a preliminary sale and purchase agreement (the ''Preliminary Agreement'') with Joyful Lake Limited (the ''Vendor''), an independent third party for the acquisition of the entire issued share capital of PT Harvest Holdings Limited (the ''Target Company''). The Target Company is a company incorporated in Hong Kong and is principally holding the properties, being the whole floor of Level 13, of Tower 2 with a gross floor area of approximately 24,959 square feet and eight car parks on Level 6 of Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, Hong Kong. Further details of the Preliminary Agreement were disclosed in the Company's announcement dated 12 April 2018.

Subsequently, the formal sale and purchase agreement was entered into between the Vendor and the Purchaser on 28 June 2018 and the transaction was completed on 23 August 2018. The consideration for acquisition of the Target Company was approximately HK$325,293,000.

In December 2018, the Group relocated to Kowloon Commerce Centre as the head office premises of the Group and the Company's principal place of business in Hong Kong, to cope with the future expansion and development of the Group's business. The Board considers that the relocation of its head office to Kowloon Commerce Centre can better give prominence to the Group's business positioning and better reflect the corporate image of the Group. Furthermore, in view of the development of Hong Kong property market, the Board considers that the acquisition will enable the Group to save future rental expenses, broaden the fixed asset base of the Group and provide capital appreciation potential to the Group.

Save as disclosed above, the Group did not have other significant investment, acquisition or disposal during the year.

Human Resources

As at 31 December 2018, the Group had a total of approximately 4,570 employees (31 December 2017: approximately 4,500 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and Central and South America. In 2018, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$758,000,000 (2017: HK$745,000,000), accounting for 22% (2017: 22%) of its revenue. The Group will continue to monitor the market situation and consolidate its human resources and labour structure in order to utilise manpower more efficiently and enhance operational productivity.

The Group has always placed great importance on human resources and considers that competitive remuneration is an essential factor that motivates employees at all levels to be dedicated to their work and to provide customers with high-quality products and services. The Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefits schemes or Mandatory Provident Fund Schemes.

The Group recognises the importance of having high caliber employees. Therefore, the Group will continue to offer appropriate training programs to employees at all levels and positions on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

Liquidity and Capital Resources

Given continuously increasing cost pressure, the Group strictly implemented prudent cost and cash flow management. During FY2018, the Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations and existing banking facilities. The Board believes that the Group is in a healthy financial position and has sufficient resources to support its operations.

During the year ended 31 December 2018, the Group's net cash inflow from operating activities was approximately HK$132,000,000. As at 31 December 2018, the Group's inventory level increased to approximately HK$764,000,000 as compared to approximately HK$751,000,000 as at 31 December 2017.

As at 31 December 2018, bank borrowings of the Group amounted to approximately HK$1,895,000,000. Most of the bank borrowings were sourced from Hong Kong, with 96% denominated in Hong Kong dollars and 4% in United States dollars. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 31 December 2018, the Group's bank balances and cash amounted to approximately HK$587,000,000, of which 48% was denominated in Renminbi, 26% in United States dollars, 13% in Hong Kong dollars, 12% in Euros and the remaining 1% in other currencies.

The Group continued to maintain prudent financial management policies during FY2018. As at 31 December 2018, the Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary course of business) over total equity, increased to 84% (31 December 2017: 36%) and its current ratio was 0.73 (31 December 2017: 0.97). The change of gearing ratio was primarily due to the increase of the debt scale.

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. The Board will continue to monitor the Group's overall exposure to foreign exchange risks and will consider hedging significant foreign currency risks, should the need arise.

For the year ended 31 December 2019

Operating Results

For the year ended 31 December 2019 ("FY2019"), the Group recorded consolidated revenue of approximately HK$2,663,000,000, representing a decrease of 23% as compared to approximately HK$3,472,000,000 for last year. Profit attributable to owners of the Company was approximately HK$169,000,000, representing an increase of 20% as compared to approximately HK$141,000,000 for last year. Basic earnings per share for FY2019 was 15.35 HK cents as compared to 12.82 HK cents for last year.

Manufacture and Sale of Dyeing and Finishing Machines

During 2019, the trade friction between China and the United States continued to intensify and the global economic environment was highly volatile, causing many customers to adopt a wait-and-see attitude on investment in production equipment. Meanwhile, the competition remained keen in the dyeing and finishing equipment industry, which inevitably affected the Group's business. In addition, on 4 June 2019, a staff assembling event occurred in one of the dyeing and finishing machine production plants of the Group located at Longgang District, Shenzhen City. Through mutual understanding and negotiation between the Group and its staff, the staff assembling event was successfully resolved on 3 July and the plant has also resumed to normal production since then. Though the staff assembling event caused interruption on the production to a rather limited degree during the period, it did not have any direct material impact on the operating performance and the financial position of the Group for FY2019.

For FY2019, this business segment recorded revenue of approximately HK$1,941,000,000, accounting for 73% of the Group's revenue and representing a decrease of 28% from approximately HK$2,695,000,000 for last year. In particular, combined sales from Hong Kong and the PRC markets were approximately HK$1,082,000,000, representing a decrease of 12% from approximately HK$1,228,000,000 for last year; and sales from overseas markets were approximately HK$859,000,000, representing a decrease of 41% from approximately HK$1,467,000,000 for last year. Nevertheless, operating profit increased by approximately 69% to approximately HK$204,000,000 from approximately HK$121,000,000 for last year, which was primarily attributable to the recognition of income before tax of approximately HK$316,000,000 in FY2019 in respect of portions of the payment received from the urban renewal project of the land in Shenzhen (in the form of resettlement and demolition compensation) totalling approximately RMB350,000,000 (equivalent to approximately HK$388,000,000), net of related costs of approximately HK$72,000,000, as the Group has started to relocate part of its production facilities from Shenzhen to Zhongshan in stages during 2019.

The new production plant of the Group located at Linhai Industrial Park, Cuihang New District, Zhongshan City, Guangdong Province, which has been undertaking interior decoration and equipment installment by phases, has several production lines put into operation and is expected to be ready for use in mid-2020. Upon full operation of the Zhongshan new plant, the Group's production capacity is expected to increase. The new Zhongshan plant will be keen on improving energy conservation and production efficiency, as well as applying more automated processes in its production process to shorten the production cycle and reduce manpower and management costs, and thus improve the Group's operation efficiency.

Since the outbreak of the novel coronavirus (COVID-19) in early 2020, the management has been monitoring the development of the epidemic and has taken timely actions and measures to protect the Group's employees from being infected. The Group's plants in Shenzhen and Zhongshan postponed the resumption of operations after the Lunar New Year holidays for a limited period of time to late February. The Group's operations have not experienced any material disruptions. The management will continue to monitor the development of the epidemic and take appropriate measures when necessary.

In order to cater to the future development of the textile printing and dyeing industry, the demand on automated production and the new trend of smart factories, the Group will continue to invest resources in enhancing the efficiency, as well as the functions of environmental protection, energy saving and automation of its dyeing and finishing machines so as to provide innovative energy-saving and eco-friendly equipment and solutions to customers, thus creating more value. The Group is committed to the research and development (R&D) of supporting intelligent dyeing and finishing equipment systems, mainly focusing on (i) central chemical measuring and dispensing system, (ii) central intelligent control system for printing and dyeing equipment, (iii) exhaust gas purification device and system for stenter frames, (iv) automated intelligent material handling system of textile fabrics and production supplies, and (v) computerised numerical controlled machining centre for core components required for the supporting systems. The development of intelligent equipment projects will not only bring positive impacts on the technological improvement, core competitiveness enhancement and improvement of the Group's performance, but also play an important role in propelling industrial upgrading and technological advancement for the dyeing and finishing industry.

In 2020, the Group will move forward to:

– enhance our R&D capability and create additional technical values to our products;

– improve manufacturing capacity, persistently optimise manufacturing management and organisational structure, continuously innovate process technology, accelerate manufacturing automation, increase manufacturing efficiency and pursue better product quality;

– strengthen cost management and control, and continuously optimise suppliers and supply channels;

– standardise management processes, fine-tuning management system, boost management efficiency and reduce operating costs;

– conform to market demands through offering more premium products and strengthen after-sales technical services;

– explore new markets and sales channels to expand the Group's customer base and market share of its products, thereby maintaining its leadership in the market; and

– strengthen the development of talents and corporate culture.

Looking forward, the Chinese government has proactively launched various economic reforms and innovative initiatives in recent years to propel domestic demand and promote requirements on "Environment Protection and Energy Saving" by encouraging technological transformation and upgrading in traditional industries to replace and purchase manufacturing equipment for capacity expansion. Those policies will have a positive effect on economic growth in the long run, and also provide new opportunities for the Group in the medium to long term development. The Board believes that the Group has laid a solid foundation for its mission to "become a world-class manufacturer of dyeing and finishing machinery". By excelling ourselves and striving to continuously broaden product offerings for our customers, we will strive for greater market share and develop us into a stronger and bigger group.

Trading of stainless steel supplies

During 2019, the intensifying trade friction between China and the United States has clouded the global economic environment and had a negative influence on the stainless steel supplies market, which led to a decrease in sales of stainless steel supplies of the Group. For the year ended 31 December 2019, this business segment recorded revenue of approximately HK$216,000,000, accounting for approximately 8% of the Group's revenue and representing a decrease of 18% as compared to approximately HK$262,000,000 for last year. Due to the decrease in revenue, operating profit for FY2019 amounted to approximately HK$6,000,000 as compared to profit of approximately HK$18,000,000 for last year.

In respect of trading of stainless steel supplies, the Group has established strong relationship with some global leading steel manufacturing companies since commencing the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end-users, while procuring stainless steel raw materials for the Group's dyeing and finishing machines business in a more cost-effective way.

The Group will continue to adopt a prudent approach in running this business. It will take appropriate actions to mitigate market risks, adjust selling prices and inventory level appropriately and in a timely manner based on market analysis and its judgment, in order to improve the inventory turnover ratio while minimising the risk on price fluctuations. At the same time, the Group will strengthen the credit management of sales and trade receivables in order to lower the risk of bad debts and improve its cash flow.

Looking into 2020, the price of stainless steel is expected to remain stable with slight fluctuations. The construction industry in Hong Kong is booming as more major infrastructure projects have commenced, which, coupled with the accelerated pace of urbanisation and infrastructure construction in the PRC, will provide opportunities for trading of stainless steel supplies. Therefore, the Group remains optimistic on the prospect of the stainless steel trading business. The Group will closely monitor and response to market changes to maintain steady growth in this business segment.

Manufacture and sale of stainless steel casting products

The products of this business segment are primarily high-quality castings and machined processing parts made of stainless steel, dual-phase steel and nickel-based alloys that are widely used in industrial equipment in industries such as valves, pumps, chemical, oil and natural gas and foods, with customers principally hailing from Europe, the United States and Japan.

For the year 2019, this business segment recorded revenue of approximately HK$506,000,000, accounting for 19% of the Group's revenue and representing an increase of 2% as compared to approximately HK$494,000,000 for last year. Operating profit increased to approximately HK$83,000,000 from approximately HK$81,000,000 for last year. This business segment performed well as a whole with satisfactory growth in results.

The Group will remain committed to promoting its production capacity through streamlined production processes and automatic machines as well as strengthening controls on production costs (including labour costs), thus to further improve the gross profit margin. The Group also implements sales strategies focusing on high-margin products in different businesses and related customer sectors. On the other hand, the Group has established a marketing centre in Atlanta, Georgia to expand its sales network in the United States, aiming for more orders and laying a solid foundation for sustainable and healthy development of this business segment.

The Group believes that market demand for high-quality stainless steel casting products will continue to grow in the mid to long term. It is anticipated that, this business segment will maintain steady revenue growth and make sustainable contribution to the Group's profit.

Environmental Protection Services

This business segment principally engaged in operating kitchen wastes innocuous treatment projects and animal carcasses innocuous treatment projects in the PRC.

Since January 2019, the kitchen wastes treatment plant of Taian China Science Environmental Engineering Co., Ltd.(泰安中科環保工程有限公司)("CSEE"), located at the northern foot of Hama Mountain(蛤蟆山)in Taian City, has been taken over by the Environmental Health Management Office of Taian City(泰安市環境衛生管理處). The animal carcasses innocuous treatment facility of Taian CSCE Environmental Engineering Technology Co., Ltd.(泰安中科潔能環境工程技術有限公司)("Taian CSCE") resumed limited production after technological upgrade in September 2018. Due to environmental pressure, the facility had suspended operations for a period. After that, the facility resumed operations in April 2019 but had been operating on an intermittent basis. Due to the recent outbreak of COVID-19, the animal carcasses innocuous treatment facility has been closed after the Lunar New Year holidays. For the year ended 31 December 2019, this business segment recorded revenue of approximately HK$30,000, while the operating loss amounted to approximately HK$22,000,000. The Board believes that the current operating position of this business segment will not have a material adverse effect on the overall financial position of the Group.

In early 2020, the Group had a meeting with relevant governmental authorities of Taian City to communicate on matters concerning the concession rights and business rationalisation of CSEE and Taian CSCE, seeking support from local government so as to resume normal operations of the business. The Company will consider disclosing updates on this business segment for any further development as and when appropriate.

Prospects

Looking into 2020, the global economy is facing an array of uncertainties and the outbreak of COVID-19 is spreading rapidly around the world. The Board believes that 2020 will be another year of both challenges and opportunities. The management of the Group will closely monitor the development of the industry to capture the opportunities brought by technological innovation and the capacity expansion of the new Zhongshan plant, leverage on our advantages of scale, technology and talents, and implement the established development strategy to achieve sustainable and healthy development of the Group. Meanwhile, the Group will gradually divest non-core businesses such as environmental protection services and real estate investment in due course, concentrate resources to further optimise and streamline the corporate structure and comprehensively rationalise and consolidate its three core businesses. It will also actively develop its core businesses, vigorously expand the market and enhance the profitability of the Company so as to maximise value for the shareholders.

Human Resources

As at 31 December 2019, the Group had a total of approximately 4,150 employees (31 December 2018: approximately 4,570 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and Central and South America. In 2019, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$781,000,000 (2018: HK$758,000,000), accounting for 29% (2018: 22%) of its revenue. The Group will continue to monitor the market situation and consolidate its human resources and labour structure in order to utilise manpower more efficiently and enhance operational productivity.

The Group has always placed great importance on human resources and considers that competitive remuneration is an essential factor that motivates employees at all levels to be dedicated to their work and to provide customers with high-quality products and services. The Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefits schemes or Mandatory Provident Fund Schemes. The Group recognises the importance of having high caliber employees. Therefore, the Group will continue to offer appropriate training programs to employees at all levels and positions on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

Liquidity and Capital Resources

Given continuously increasing cost pressure, the Group strictly implemented prudent cost and cash flow management. During FY2019, the Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

During the year ended 31 December 2019, the Group's net cash outflow used for operating activities was approximately HK$52,000,000. As at 31 December 2019, the Group's inventory level increased to approximately HK$766,000,000 as compared to approximately HK$764,000,000 as at 31 December 2018.

As at 31 December 2019, bank borrowings of the Group amounted to approximately HK$1,920,000,000. Most of the bank borrowings were sourced from Hong Kong, with 94% denominated in Hong Kong dollars, 5% in United States dollars and 1% in Renminbi. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 31 December 2019, the Group's bank balances and cash amounted to approximately HK$332,000,000, of which 49% was denominated in Renminbi, 24% in United States dollars, 17% in Hong Kong dollars, 8% in Euros and the remaining 2% in other currencies.

The Group continued to maintain prudent financial management policies during FY2019. As at 31 December 2019, the Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary course of business) over total equity, increased to 94% (2018: 84%) and its current ratio was 0.58 (2018: 0.73). The change of gearing ratio was primarily due to the increase of the debt scale.

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. The Board will continue to monitor the Group's overall exposure to foreign exchange risks and will consider hedging significant foreign currency risks, should the need arise.

For the year ended 31 December 2020

Operating Results

In 2020, the unexpected outbreak of COVID-19 brought significant impact to the world economy. In response to the pandemic, countries have taken stringent measures to prevent spread of the virus, including suspension of industrial and commercial operations, border controls and logistics and transportation restrictions, which have brought economic activities to a standstill on a large scale. Under such unfavourable business environment, the Group's business operations were inevitably affected, facing much pressure and challenge. As a result of reduced demand for its products or requests from customers to delay the delivery of some orders, the Group experienced varying degrees of decline in operating revenue of all business segments.

The Group has classified the non-core business of environmental protection services as a discontinued operation in 2020. For the year ended 31 December 2020 ("FY2020"), the Group's consolidated revenue from continuing operations decreased by 15% to approximately HK$2,275,000,000 (2019: HK$2,663,000,000) as compared to last year. Profit attributable to owners of the Company was approximately HK$6,000,000 (2019: HK$169,000,000). The basic and diluted earnings per share were 0.57 HK cent (2019: 15.35 HK cents).

Manufacture and Sale of Dyeing and Finishing Machines

For FY2020, this business segment recorded revenue of approximately HK$1,756,000,000, accounting for 77% of the Group's revenue and representing a decrease of 10% from approximately HK$1,941,000,000 for last year. In particular, sales from Hong Kong and the PRC markets were approximately HK$1,029,000,000, representing a slight decrease of 5% from approximately HK$1,082,000,000 for last year; and sales from overseas markets were approximately HK$727,000,000, representing a decrease of 15% from approximately HK$859,000,000 for last year. This business segment recorded operating profit of approximately HK$57,000,000, taking into account the recognition of a gain of approximately HK$141,000,000 for FY2020 in respect of portions of the payment received from the urban renewal project of the land in Shenzhen (in the form of resettlement and demolition compensation) totalling RMB250,000,000 (equivalent to approximately HK$290,000,000), net of related costs of approximately HK$149,000,000, as the Group has started to relocate its production facilities from Shenzhen to Zhongshan in stages. In 2019, this business segment recorded operating profit of approximately HK$204,000,000, taking into account the recognition of a gain of approximately HK$316,000,000 in respect of portions of the payment received from the urban renewal project of the land in Shenzhen totalling RMB350,000,000 (equivalent to approximately HK$388,000,000), net of related costs of approximately HK$72,000,000.

Impacted by the COVID-19 pandemic, the global economy is facing severe challenges. Many countries around the world have adopted various pandemic prevention measures, including suspension of industrial and commercial operations, border controls and mandatory quarantine. Instability factors such as fluctuation in logistics, material supply and prices have severely impacted the supply chain, blocking the mobility of personnel and equipment. Therefore, our customers generally have paused their investment in new equipment, and postponed the schedules for new projects, resulting in a decline in demand or delay in delivery of the dyeing and finishing machinery of the Group. Thanks to the early prevention and control measures against the epidemic and the introduction of a series of supportive policies such as stabilising investment and exports by the government, China's economy took the lead in the gradual recovery of economic growth in the second half of 2020. As a result, the revenue from this business in Hong Kong and the PRC was basically preserved, at 95% of that of 2019. With the recurrence of the pandemic, the recovery of major developed economies is lagging far behind. In addition, a majority of emerging markets and developing economies are trapped in a difficult situation. Accordingly, orders from Europe and some emerging markets remain weak, and business is unlikely to pick up significantly in the short term. At present, we expect that orders from the Chinese market will remain stable in the second half of 2021, while orders in overseas markets will improve slightly.

Since the outbreak of the COVID-19 pandemic in early 2020, our management team has been monitoring the development of the pandemic and taken timely actions and measures to protect employees from infection. Our plants in Shenzhen and Zhongshan have resumed operations and production smoothly and orderly in the first quarter of last year, with support functions taking flexible arrangements by working from home. As a result, the Group's operations were not severely interrupted. In response to the travel restrictions and mandatory quarantine measures against the pandemic, most of the exhibitions and physical marketing activities have been cancelled. The Group has shifted to digitally-enabled channels to stay connected with the existing and potential customers, negotiate business sales, and maintain and strengthen business relations.

In October 2020, the Group has commenced the relocation of its production base from Shenzhen to Zhongshan. The relocation process was carried out smoothly and substantially completed by the end of December 2020 without much interruption to the Group's production operation. The new plant in Zhongshan has a site area of about 500,000 m^2, the relocation creates opportunities for the Group to carry out technological transformation, improve the manufacturing craftsmanship standard and streamline the production process. The Group is expected to realise incremental business growth, improve production efficiency and reduce overall production cost. The new plant is also in line with the Group's strategic plan for future expansion and development.

As a leading manufacturer of dyeing and finishing equipment in the world, CHTC Fong's has been focusing on the research and development of dyeing and finishing machinery, and will continue to increase investment in technical research to provide customers with more cost-effective products. In addition to meeting the individual needs of our customers, we look to standardise the production of components. At the same time, we should speed up the building of the Group's management team to meet and adapt to the current reform and development needs. The Company will remain efficiency oriented and attach more importance to smart manufacturing process, productivity improvement and transformation of digital plants.

In response to the challenging environment, our management team has taken a series of operating cost and capital expenditure control measures and efforts to promote business recovery, so as to lower the breakeven point of operations and preserve liquidity to weather the current economic crisis. In 2021, the Group will build up an efficient organisation and improve its quality and cost competitiveness. On the market side, we will strive to strengthen market promotion, focus on key projects, improve the added value of products, comprehensively strengthen our distribution channels in various countries, accelerate the development of potential customers, and realise the strategic expansion of emerging markets. In terms of internal management, we should focus on material procurement, reduce production costs, strengthen manufacturing process and optimise process structure.

Meanwhile, we should continue to emphasise on pandemic control and prevention as well as safety production, to maintain operations in compliance with the laws and regulations and to ensure the healthy operation of the Group's production and business activities.

Trading of stainless steel supplies

For the year ended 31 December 2020, this business segment recorded revenue of approximately HK$192,000,000, accounting for 8% of the Group's revenue and representing a decrease of 11% as compared to approximately HK$216,000,000 for last year. Due to the decrease in revenue, the segment reported operating loss of approximately HK$6,000,000 for FY2020 as compared to profit of approximately HK$6,000,000 for last year.

Impacted by the COVID-19 pandemic, the continued weak economic figures hampered the market sentiment. The pandemic prevention measures taken by various countries have seriously disrupted the global raw material supply chain and logistics transportation services. All these factors have led to a decrease in the sales volume of stainless steel products of the Group.

In respect of trading of stainless steel supplies, the Group has established strong relationship with some global leading steel manufacturing companies since commencing the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end-users, while procuring stainless steel raw materials for the Group's dyeing and finishing machines business in a more cost-effective way.

At present, orders in hand remain relatively healthy. The Group will continue to adopt a prudent approach in running this business. It will take appropriate actions to mitigate market risks, adjust selling prices and inventory level appropriately and in a timely manner based on market analysis and its judgment, in order to improve the inventory turnover ratio while minimising the risk on price fluctuations. At the same time, the Group will strengthen the credit management of sales and trade receivables in order to lower the risk of bad debts and improve its cash flow.

Looking into 2021, the construction industry in Hong Kong is booming as more major infrastructure projects have commenced, which, coupled with the accelerated pace of urbanisation and infrastructure construction in the PRC, will provide opportunities for trading of stainless steel supplies. Therefore, the Group remains optimistic on the prospect of the stainless steel trading business. The management will closely monitor and respond to market changes to maintain steady growth in this business segment.

Manufacture and sale of stainless steel casting products

For the year 2020, this business segment recorded revenue of approximately HK$327,000,000, accounting for 15% of the Group's revenue and representing a decrease of 35% as compared to approximately HK$506,000,000 for last year. Operating profit decreased to approximately HK$46,000,000 from approximately HK$83,000,000 for last year.

The products of this business segment are primarily high-quality castings and machined processing parts made of stainless steel, dual-phase steel and nickel-based alloys that are widely used in industrial equipment in industries such as valves, pumps, chemical, oil, natural gas and foods, with customers principally hailing from Europe, the United States and Japan.

Due to the COVID-19 pandemic, various countries in the world have taken strict pandemic prevention measures, including suspension of industrial and commercial operations, border controls as well as logistics and transportation restrictions. Many of our overseas markets have shut down their borders, interrupting the normal mobility of personnel and equipment. The progress of negotiation on projects with customers was seriously affected, resulting in customers' delay in purchasing our products or postponement of shipment.

The management team will keep in touch with the existing and potential customers to maintain and strengthen the business relationship. The Group will also continue to implement its sales strategy, focusing on high profit margin products of different businesses and related customer industries. On the other hand, the management will continue to strive to streamline the manufacturing process, improve production efficiency, optimise quality control and reduce production waste, so as to reduce production costs and improve overall productivity. At present, the orders in hand are still relatively healthy, and the management team will strive to improve the cash flow and strictly monitor the accounts receivable.

The Group believes that market demand for high-quality stainless steel casting products will continue to grow in the mid to long term. It is anticipated that, this business segment will maintain steady revenue growth and make sustainable contribution to the Group's profit.

Environmental Protection Services (Discontinued)

The Group considers that the environmental protection services business is not its core business and has been underperforming since its investment in 2017 with little prospect of near-term turnaround in sight. Therefore, the Group intends to divest this investment to avoid further losses and make more efficient use of the Group's resources.

This business segment principally engaged in operating kitchen wastes innocuous treatment projects and animal carcasses innocuous treatment projects in Taian City, Shandong Province, the PRC. Since January 2019, the kitchen wastes treatment plant of Taian China Science Environmental Engineering Co., Ltd.(泰安中科環保工程有限公司)("CSEE"), located at the northern foot of Hama Mountain(蛤蟆山)in Taian City, has been taken over by the Environmental Health Management Office of Taian City(泰安市環境衛生管理處). In April 2020, Taian CSCE Environmental Engineering Technology Co., Ltd.* ("Taian CSCE"), which was operating the animal carcasses innocuous treatment projects, entered into an escrow operation agreement with Taisheng Environmental Services (Shandong) Co., Ltd.(泰晟環境服務(山東)有限公司)("Taisheng"), an independent third party. According to the agreement, Taisheng has taken over the operation of the animal carcasses processing facilities until the disposal of Taian CSCE, and shall be entitled to the profit and loss of the operation.

In view of the above, the business operations are considered to have been discontinued during FY2020 and the financial position, results and cash flows are no longer reflected in the Company's consolidated financial statements. During FY2020, the Group has recognised an asset impairment of approximately HK$30,000,000 (2019: approximately HK$15,000,000) in respect of the non-core business of the environmental protection services based on the valuation prepared by an independent professional valuer. The Group is actively exploring the best possible solution to dispose of the business.

The Group believes that realising its investment in non-core businesses and focusing its resources on core businesses will help improve the Group's anti-risk capacity and the stability of future business growth.

Prospects

Looking into the future, the impact of the COVID-19 pandemic will persist. The global economy remains complicated and challenging, and the market recovery is also facing uncertainties. However, we are confident about our prospects. With the roll-out of vaccines around the world and the gradual containment of the pandemic, we are looking forward to the comprehensive recovery of other markets across the globe. The market demands suppressed by the pandemic will gradually be released, and are expected to create a momentum of "restorative growth".

Under the leadership of our chief executive officer, the management of the Group will continue to lead all employees, boost confidence and meet the challenges with more diligent work to raise the overall management level of the Group, comprehensively improve the market competitiveness of the Group, and bring the performance of the Group to new heights. The management of the Group are prepared for advancing the long-term business development of the Group, taking momentum from the global recovery to maximise the returns to our shareholders.

Human Resources

As at 31 December 2020, the Group had a total of approximately 3,600 employees (31 December 2019: approximately 4,150 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and the United States. In 2020, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$668,000,000 (2019: HK$781,000,000), accounting for 29% (2019: 29%) of its revenue. The Group will continue to monitor the market situation and consolidate its human resources and labour structure in order to utilise manpower more efficiently and enhance operational productivity.

The Group has always placed great importance on enhancing and optimising our human resources and considers that competitive remuneration is an essential factor that motivates employees at all levels to be dedicated to their work and to provide customers with high-quality products and services. The Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefits schemes or Mandatory Provident Fund Schemes. The Group recognises the importance of having high caliber employees. Therefore, the Group will continue to offer appropriate training programs to employees at all levels and positions on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

Liquidity and Capital Resources

Given continuously increasing cost pressure, the Group strictly implemented prudent cost and cash flow management. During FY2020, the Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

During the year ended 31 December 2020, the Group's net cash inflow generated from operating activities was approximately HK$557,000,000. As at 31 December 2020, the Group's inventory level decreased to approximately HK$607,000,000 as compared to approximately HK$766,000,000 as at 31 December 2019.

As at 31 December 2020, bank and other borrowings of the Group amounted to approximately HK$1,705,000,000. Most of the bank and other borrowings were sourced from Hong Kong, with 80% denominated in Hong Kong dollars, 14% in Renminbi and 6% in United States dollars. The Group's bank and other borrowings are predominantly subject to floating interest rates.

As at 31 December 2020, the Group's bank balances and cash amounted to approximately HK$342,000,000, of which 43% was denominated in Renminbi, 22% in Euros, 19% in United States dollars, 13% in Hong Kong dollars and the remaining 3% in other currencies.

The Group continued to maintain prudent financial management policies during FY2020. As at 31 December 2020, the Group's gearing ratio, defined as net bank and other borrowings (other than payables in ordinary course of business) over total equity, decreased to 78% (31 December 2019: 94%) and its current ratio was 0.58 (31 December 2019: 0.58).

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. The Board will continue to monitor the Group's overall exposure to foreign exchange risks and will consider hedging significant foreign currency risks, should the need arise.

For the six months ended 30 June 2021

Operating Results

As mentioned in the Annual Report 2020 of the Company, the Group has classified the non-core business of provision of environmental protection services as a discontinued operation in 2020. During the period under review, the Group continued to engage in its three core businesses, i.e. manufacture and sale of dyeing and finishing machines, manufacture and sale of stainless steel casting products, and trading of stainless steel supplies.

In the first half of 2021, as global economy got out of the downturn in 2020 but has not yet returned to normal due to the ongoing COVID-19 pandemic and the tight supply of raw materials, the Group recorded a decline in revenue from certain business segments. For the six months ended 30 June 2021, the Group recorded consolidated revenue of approximately HK$1,220,000,000, representing an increase of 17% as compared to approximately HK$1,045,000,000 in the corresponding period of last year. Loss attributable to owners of the Company was approximately HK$115,000,000 (2020: loss of approximately HK$63,000,000). Basic and diluted loss per share was 10.40 HK cents (2020: loss of 5.76 HK cents per share).

Manufacture and Sale of Dyeing and Finishing Machines

The ongoing and volatile outbreaks of COVID-19 has had a significant impact on the global economy. Western economies such as the United Kingdom, the United States, Germany and major European countries have continued to impose stringent border controls as a result of the large-scale outbreaks, which in turn brought detrimental economic impacts. Other major developing countries such as India, Brazil, Turkey and Indonesia were also busy in combating the raging pandemic. Fortunately, China's economy has recovered much faster than all other countries with its domestic pandemic stabilised. Our orders from the dyeing and finishing machinery business have picked up to the pre-pandemic level thanks to our management team's efforts. However, due to the ongoing COVID-19 pandemic, plus regulatory measures such as the border controls and transportation restrictions implemented by various countries in the world, shipping capacity was severely impaired and logistics costs were increased, causing significant interruptions to the global supply chain, which in turn led to the tight supply of some raw materials and components as reflected in their surging prices. The raw materials for this business segment are mainly stainless steel, the prices of which have been maintained on the rise since last year and now are fluctuating narrowly at high levels, affecting the costs of our products to a certain extent. Meanwhile, in the face of increasing market competition, the sales prices of certain products of the Company failed to increase in line with the price increases in their raw materials and components, eventually placing great pressure on our profit margin.

For the six months ended 30 June 2021, this business segment recorded revenue of approximately HK$1,008,000,000, accounting for 83% of the Group's revenue and representing an increase of 28% from approximately HK$790,000,000 in the corresponding period of last year. In particular, combined sales from Hong Kong and the PRC markets were approximately HK$518,000,000,000, representing an increase of 7% from approximately HK$486,000,000 in the corresponding period of last year; while sales from overseas markets were approximately HK$490,000,000, representing an increase of 61% from approximately HK$304,000,000 in the corresponding period of last year. Nevertheless, an operating loss of approximately HK$67,000,000 was recorded for the period, compared to an operating loss of approximately HK$37,000,000 for the corresponding period of last year, after taking into account the recognition of income before tax of approximately HK$48,000,000 for the period in respect of portions of the payment received from the urban renewal project of the land in Shenzhen (in the form of resettlement and demolition compensation) totalling RMB50,000,000 (equivalent to approximately HK$54,000,000), net of related costs of approximately HK$6,000,000. Excluding the land premium income under the urban renewal project, the operating condition for the period has improved as compared to the corresponding period of last year.

The Group will continue to make its best efforts in developing new products and exploring new markets to serve the diverse needs of various customers and create more value for them, and cope with challenges by adhering to its operating philosophy of "confidence, synergy, change and accomplishment". The Group will continue to improve product quality and optimise cost structure in order to enhance product competitiveness and further enlarge its market share. The management of the Group strives to overcome difficulties and challenges and to consolidate its connection and business relationships with existing and potential customers, in order to explore new market and maintain the Group's competition advantages. Moreover, with overall increasing costs due to the tight supply of key raw materials and certain components, the Group will centralise material procurement and strengthen its supply chain management capabilities to minimise the impact of price fluctuations in raw materials and components. The management expects that once the pandemic is under control, the present pent-up consumption demand will facilitate a strong economic recovery, bringing the Group an opportunity to grow its business with the support of a rebound in economic growth.

The products of this business segment are primarily high-quality castings and machined processing parts made of stainless steel, dual-phase steel and nickel-based alloys that are widely used in industrial equipment in industries such as valves, pumps, chemical, oil, natural gas and foods, with customers principally hailing from Europe, the United States and Japan.

Due to the COVID-19 pandemic, various countries in the world have taken strict pandemic prevention measures, including suspension of industrial and commercial operations, border controls as well as logistics and transportation restrictions. Many of our overseas markets have closed their borders, interrupting the normal mobility of personnel and equipment. The progress of negotiation on projects with customers was seriously affected, resulting in customers' delay in purchasing our products or postponement of delivery.

For the six months ended 30 June 2021, this business segment recorded revenue of approximately HK$136,000,000, accounting for 11% of the Group's revenue and representing a decrease of 22% as compared to approximately HK$174,000,000 for the corresponding period of last year. Due to the decrease in revenue, operating loss for the period amounted to approximately HK$7,000,000, while the operating profit for the corresponding period of last year was approximately HK$18,000,000.

In early 2021, leveraging the opportunity to relocate its production facilities from Buji, Shenzhen to Cuiheng New District, Zhongshan, the Group readjusted its production structure and production capacities and simultaneously performed technical upgrade to further enhance its process technology in production and product quality in response to market changes. During the relocation, certain employees including some skilled machining technicians chose to resign from the Group, resulting a loss of core production personnel unplaceable within a short term to the Group. Based on the above, the original production schedule and production capacities of this business segment was affected to some extent and only gradually recovered until the second quarter. It caused the delay in delivery of some orders during the first half of the 2021, leading to a decrease in production for the period and thereby revenue. Currently, the operating team is communicating with customers in respect of the rescheduling of order priority and delivery timetable in order to facilitate production process and fulfil customer demands.

At present, sales has begun to regain momentum since the latest quarter, and orders on hand of this business remain at relatively healthy status. The management team is in close contact with the existing and potential customers to maintain and strengthen the business relationship. The Group will also increase its efforts to implement its sales strategy, focusing on high profit margin products of different businesses and related customer industries and the introduction of products with high added value to cater for customers' demands. Meanwhile, we will also proactively explore new market to better promote our products to different markets. On the other hand, the Group will continue to strive to streamline the manufacturing process, further improve operational efficiency, optimise quality control and reduce production waste, so as to reduce operating costs and improve overall productivity.

The Group remains optimistic about this business segment. The Board believes that market demand for high-quality stainless steel casting products will continue to grow in the mid to long term. This business segment will resume steady revenue growth and make sustainable contribution to the Group's profit.

Trading of stainless steel supplies

In the first half of 2021, the COVID-19 pandemic was still evolving and affecting the macro economy. The implementation of measures to contain the epidemic in various countries has caused serious disruptions in the global raw material supply chain and logistics and transportation, which have led to a decrease in the Group's sales of stainless steel supplies. However, the price of stainless steel has shown a steady upward trend since 2020, with a corresponding increase in gross profit. For the six months ended 30 June 2021, this business segment recorded revenue of approximately HK$75,000,000, accounting for approximately 6% of the Group's revenue and representing a decrease of 7% as compared to approximately HK$81,000,000 in the corresponding period of last year. Operating profit for the period amounted to approximately HK$2,000,000, while the operating loss for the corresponding period of last year was approximately HK$5,000,000.

In respect of trading of stainless steel supplies, the Group has established strong relationship with some global leading steel manufacturing companies since commencing the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end-users, while procuring stainless steel raw materials for the Group's dyeing and finishing machines business in a more cost-effective way.

Looking forward to the second half of 2021, the price of stainless steel is expected to remain at relatively high levels with slight fluctuations. At present, orders in hand remain at relatively healthy status. The Group will continue to adopt a prudent approach in running this business. It will take appropriate actions to mitigate market risks, adjust selling prices and inventory level appropriately and in a timely manner based on market analysis and its judgment, in order to improve the inventory turnover ratio while minimising the risk on price fluctuations. At the same time, the Group will strengthen the credit management of sales and trade receivables in order to lower the risk of bad debts and improve its cash flow position.

The construction industry in Hong Kong is booming as more major infrastructure projects have commenced, which, coupled with the accelerated pace of urbanisation and infrastructure construction in the PRC, will provide opportunities for trading of stainless steel supplies. Therefore, the Group remains optimistic on the prospect of the stainless steel trading business. The management will closely monitor and respond to market changes to maintain steady growth in this business segment.

Environmental protection services (discontinued operation)

As mentioned in our Annual Report 2020, the operations of the kitchen wastes innocuous treatment projects and animal carcasses innocuous treatment projects under this business segment have been taken over by independent third parties who have assumed sole responsibilities for profits and losses. Therefore, in 2020, the Group has classified the provision of the non-core business of the environmental protection services as a discontinued operation and its financial position, results and cash flows are no longer reflected in the Company's consolidated financial statements.

In April 2021, all the equity interests of three subsidiaries of the Group under its environmental protection services business, being Taian China Science Environmental Engineering Co., Ltd.(泰安中科環保工程有限公司), Taian CSCE Environmental Engineering Technology Co., Ltd.(泰安中科潔能環境工程技術有限公司)and Dongping CSCE Environmental Engineering Technology Co., Ltd.(東平中科潔能環境工程技術有限公司)were auctioned off by Shenzhen Qianhai Cooperation Zone People's Court(深圳前海合作區人民法院)through JD.com at a total auction price of approximately RMB23,000,000 (equivalent to approximately HK$28,000,000). The Group incurred an investment loss of approximately HK$10,000,000 as a result of the auction of the equity interests in these companies.

With the discontinued operation of the environmental protection services business and the completion of the equity auction, the Group will focus its resources on core businesses, which will help improve the Group's anti-risk capacity and the stability of future business growth.

Prospects

At the end of December 2020, the Group basically completed the relocation of its production facilities from Shenzhen to Zhongshan, and the relocation process went smoothly. The Group is stepping up its internal integration and adjustment of production processes in the new plant, in order to rapidly increase production capacity, achieve business growth when the market recovers, increase production efficiency, and reduce overall production costs.

As the number of people who have been vaccinated against the COVID-19 pandemic continues to rise globally, restrictions are expected to be eased gradually. Various localities have begun to strive for an early economic recovery, and market demand for various products has gradually recovered. The COVID-19 pandemic will undoubtedly bring great impact and challenges to the Group's short-term business, but it will not change the steady and positive development trend of the Group's business in the next few years. In the face of current challenges, the Group will focus more on business stability and take necessary cost control measures. At the same time, it will continue to invest necessary resources in technology research and development. The Group is confident and determined that with the unremitting efforts of the management and the operating team, it will be able to overcome the current challenges and enable the Group's business to return to another growth cycle as soon as possible and to strike for another records-breaking achievement.

Human Resources

As at 30 June 2021, the Group had a total of approximately 3,600 employees (31 December 2020: approximately 3,600 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and the United States. In the first half of 2021, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$398,000,000 (in the first half of 2020: approximately HK$378,000,000), accounting for 33% (in the first half of 2020: 36%) of its revenue. The Group will continue to monitor the market situation and consolidate its human resource and labour structure in order to utilise manpower more efficiently and enhance operational productivity.

The Group has always placed great importance on enhancing and optimising our human resources and considers that competitive remuneration is an essential factor that motivates employees at all levels to be dedicated to their work and to provide customers with high-quality products and services. The Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefits schemes or Mandatory Provident Fund Schemes. The Group recognises the importance of having high caliber employees. Therefore, the Group will continue to offer appropriate training programs to employees at all levels and positions on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

Liquidity and Capital Sources

Given operating difficulties and continuously increasing cost pressure, the Group will continue to strictly implement prudent cost and cash flow management. During the period, the Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, remain at a healthy level to satisfy the current operational requirements of the Group. The Group will further expand and develop low-cost financing channels and improve its liquidity and cash flow position to withstand a possible deterioration in market conditions.

During the six months ended 30 June 2021, the Group's net cash inflow generated from operating activities was approximately HK$24,580,000. As at 30 June 2021, the Group's inventory level increased to approximately HK$667,000,000 as compared to approximately HK$607,000,000 as at 31 December 2020.

As at 30 June 2021, bank and other borrowings of the Group amounted to approximately HK$1,547,000,000. Most of the bank borrowings were sourced from Hong Kong, with 76% denominated in Hong Kong dollars, 18% in Renminbi and 6% in United States dollars. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 30 June 2021, the Group's cash and bank balances amounted to approximately HK$279,000,000, of which 47% was denominated in Hong Kong dollars, 26% in Renminbi, 17% in Euros, 8% in United States dollars and the remaining 2% in other currencies.

The Group has continued to maintain prudent financial management policies during the period. As at 30 June 2021, the Group's gearing ratio, defined as net bank and other borrowings (other than payables in ordinary course of business) over total equity, decreased to 76% (31 December 2020: 78%) and its current ratio was 0.56 (31 December 2020: 0.58).

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. The Board will continue to monitor the Group's overall exposure to foreign exchange risks and will consider hedging significant foreign currency exposure, should the need arise.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following completion of the Co-operation Agreement, the Group will continue to be engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and the manufacture and sale of stainless steel casting products.

For the Group's financial and trading prospects for the rest of 2021, please refer to the section – "For the six months ended 30 June 2021 – Prospects" in this Appendix I.

4. INDEBTEDNESS OF THE GROUP

(a) Borrowings and indebtedness

At the close of business on 30 September 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured bank borrowings and other borrowings of approximately HK$1,258 million, which are secured and guaranteed by the Group, and HK$322 million, which are unsecured and not guaranteed by the Group.

(b) Mortgages and charges

At the close of business on 30 September 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, none of the borrowings was secured over buildings, land use rights, machinery, equipment and tools belonging to the Group.

(c) Capital commitments

At the close of business on 30 September 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had capital commitments, contracted but not provided for, amounting to HK168 million.

(d) Contingent liabilities and guarantees

At the close of business on 30 September 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group did not have any material contingent liabilities or guarantees.

Save as aforesaid and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, as at the close of business on 30 September 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, there were no other (i) debt securities of issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) borrowings or indebtedness in the nature of borrowings of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) mortgages and charges of the Group; and (iv) any contingent liabilities or guarantees of the Group.

5. WORKING CAPITAL

The Directors are of the opinion that, taking into account the present financial resources available to the Group, including internally generated revenue and funds and other available banking facilities, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up.

Real Estate Appraisal Report

Appraisal Report No.	:	Zhong Zi Fang Ping Bao Zi (2021) No. 2195
Appraisal Project Name	:	Real Estate Market Value Appraisal for the Land and Buildings thereon within the plant area of the Company in Danzhutou Industrial Zone, Nanwan, Longgang District, Shenzhen
Appraisal Client	:	Fong's National Engineering (Shenzhen) Co., Ltd.
Appraisal Agency	:	Beijing Zhongzi Real Estate Appraisal Co., Ltd.
Certified Real Estate Appraisers	:	Sun Fangfang (Registration No.: 1120090002) Jiang Nu (Registration No.: 1120070053)
Appraisal Report Issuance Date	:	20 October, 2021

Letter to Client of Appraisal Entrustment

Fong's National Engineering (Shenzhen) Co., Ltd.,

According to your entrustment, we appraised the market value for the land and buildings thereon within the plant area of the company in Danzhutou Industrial Zone, Nanwan, Longgang District, Shenzhen (with a total construction area of 149,122.78m^2 and the state-owned land use right of 113,931.71m^2, including the construction area of 131,810.16m^2 of Fong's National Engineering (Shenzhen) Co., Ltd., and the construction area of 17,312.62m^2 of Tycon Alloy Industries (Shenzhen) Co., Ltd., (hereinafter referred to as the "Appraisal Object")), so as to provide the price reference for your company to understand the market value of the Appraisal Object.

According to the appraisal purpose, the appraisers followed the principles of appraisal and the appraisal procedures, adopted replacement cost method for houses and buildings, and the benchmark land price coefficient correction method and comparison method for land use right, based on careful analysis of the existing data, after careful and accurate calculation and taking into consideration of all the factors affecting the real estate price, finally appraised the open market value for the land and buildings thereon within the plant area of the company in Danzhutou Industrial Zone, Nanwan, Longgang District, Shenzhen at the value time point (30 September, 2021) to be (currency: RMB):

Total real estate price (Amount in figures): RMB461,454,700

(Amount in words) Say RMB four hundred and sixty-one million four hundred and fifty-four thousand and seven hundred Yuan only

Company Name	Building Value (Unit: 10000 Yuan)	Value of Structures (10000 Yuan)	Value of Land Use Right (10000 Yuan)	Total (Unit: 10000 Yuan)
Fong's National Engineering (Shenzhen) Co., Ltd.	21,220.42	433.38	22,485.53	44,139.33
Tycon Alloy Industries (Shenzhen) Co., Ltd.	1,997.24	8.9	–	2,006.14
Subtotal	**23,217.66**	**442.28**	**22,485.53**	**46,145.47**

Please see the attached "Statement of Appraisers", "Assumptions and Limitations of Appraisal" and "Appraisal Results Report" for detailed appraisal results, procedures and the related description.

Beijing Zhongzi Real Estate Appraisal Co., Ltd.
Legal Representative: Feng Chunlei
20 October 2021

Content

Part I Scope of Responsibilities

As the appraisal agency of Fong's National Engineering (Shenzhen) Co., Ltd. to help it understand the market value of the land and buildings thereon in Danzhutou Industrial Zone, Nanwan, Longgang District, Shenzhen, Beijing Zhongzi Real Estate Appraisal Co., Ltd. hereby makes the following statement:

The company is qualified in accordance with article 4.1 in *Practice Note 12* of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Beijing Zhongzi Real Estate Appraisal Co., Ltd. was founded in 1992 and officially changed its name to "Beijing Zhongzi Real Estate Appraisal Co., Ltd." with the approval of the Administration for Industry and Commerce in April 2007. It specializes in real estate price appraisal and has been practicing in this field for 29 years. The company is a corporate member of China Institute of Real Estate Appraisers and Agents and abides by its professional ethics rules.

The company is one of the large-scale appraisal institutions with the most complete and the highest level of qualifications in the appraisal industry in China, and it has:

1. The *Qualification Certificate of Real Estate Appraisal Institution* issued by the Ministry of Housing and Urban-Rural

Development of the People's Republic of China, with the qualification grade of class I and the certificate number of "Jian Fang Gu Bei Zi [2015] No. 019", and it can engage in real estate appraisal business of various purposes and types throughout the country;

2. The *Letter on the Record-keeping of Beijing Zhongzi Real Estate Appraisal Co., Ltd.* issued by Beijing Municipal Commission of Planning and Natural Resources shows that its certificate No. is "Jing Tu Gu Bei Zi [2019] No. 0095", and it can engage in land appraisal business nationwide.

Part II Identities and Qualifications of Appraisers

The appraisers participating in the appraisal of the project are registered real estate appraisers approved and registered by the Ministry of Housing and Urban-Rural Development of the People's Republic of China. Both of them are practicing members of the China Institute of Real Estate Appraisers and Agents and abide by its professional ethics rules. The main achievements of the two appraisers are listed as follows:

Name	Registration No. of Real Estate Appraiser	Project Name
Ms. Sun Fangfang	1120090002	China Railway Construction Investment Group Co., Ltd. planned to acquire all the shareholders' equity of Evergrande Real Estate (Shenzhen) Co., Ltd. involved in some equity projects of Evergrande Real Estate (Shenzhen) Co., Ltd. (August 2019)
		Mortgage value appraisal of some real estate in China Foreign Language Building at No. 89, West Third Ring North Road, Haidian District, Beijing (April 2017)
		Appraisal of 14 villas in Ganzhou City, Jiangxi Province (July 2018)
		Value appraisal of four commercial land use rights in Wanda City, Wuxi City, Jiangsu Province (August 2018)
		Real estate value appraisal of Block A, Zhonghai Tower, Shijingshan District, Beijing (March 2019)

Name	Registration No. of Real Estate Appraiser	Project Name
Ms. Jiang Nu	1120070053	Sales of all shareholders' equity of Evergrande Real Estate (Shenzhen) Co., Ltd. by China Railway Construction Corporation Limited (February 2021)
		Value appraisal of a commercial and financial land use right in Taiyuan High-tech Development Zone, Shanxi Province (July 2018)
		Value appraisal of the real estate of the completed commercial house in building No. 5 of Greenland Central Plaza (phase III), Bengbu City, Anhui Province, the (Phase V) completed office house in Block B of the City Gate Project and the under-construction project in Block A of the City Gate Project (December 2018)
		Appraisal of industrial plant and land use right on the west side of Qinyou Road, Yangzhou City, Jiangsu Province (January 2019)
		Appraisal on the rental value of the commercial real estate under residential buildings in Lanqiying Community, Haidian District, Beijing (September 2020)

Part III Statement of Appraisers

We solemnly make the following statement:

1. The description of the certified real estate appraisers about the matters in the appraisal report are objective and precise as far as the asset appraisers know, without false records, misleading statements or significant omissions.

2. The analysis, comments and conclusions in this appraisal report are the independent, objective and fair professional analysis, comments and conclusions of the certified real estate appraisers; however, they are established only under the appraisal assumptions and limiting conditions set by the appraisal report.

3. The certified real estate appraisers have no actual or potential stake with the appraisal object in this appraisal report, nor do they have any stake with the appraisal client or interested parties of the appraisal, nor do they have any prejudices with the appraisal object, appraisal client or interested parties of the appraisal.

4. The certified real estate appraisers carried out appraisal work and compose this appraisal report in accordance with national standards of the People's Republic of China "Real Estate Appraisal Norms" (GB/T 50291-2015) and "Basic Terminology Standard for Real Estate Appraisal" (GB/T 50899-2013).

Part IV Assumptions and Limitations of Appraisal

I. General assumptions

1. The appraisal was based on the relevant data provided by the client, and the client shall be responsible for the authenticity and reliability of the data. The client promised to have provided all the data relating to this appraisal without reservation or concealment. If the results of the appraisal are incorrect due to the inaccuracy of the data provided by the client, the appraisal agency and the appraisers shall not bear the corresponding liability.

2. The appraisal purpose is to provide the price reference of the appraisal object, so the client can understand the market value of the appraisal object at the value time point.

3. Any operation mode and procedures related to the appraisal object shall be in conformity with the relevant national and local laws and regulations on real estate;

4. According to the ownership certificate about the appraisal object provided by the property owner and the present condition of the appraisal object, this appraisal set the industrial use of the appraisal object to be the best and most effective way of utilization.

5. The owner, location, usage, type of land use right, termination date of land use right and area of land use right involved in the current appraisal are based on the Real Estate Certificate (Shen Fang Di Zi No. 6000011780, etc.) and the Decision on Land Use Right Recovery (Shen Guo Fang Long Shou Zi No. 2008 [0042] and Shen Guo Fang Long Shou Zi No. 2009 [0041]). If the above situation changes, the evaluation results shall be adjusted accordingly.

   The building ownership, building area and usage of the appraisal object shall be subject to the Real Estate Certificate (Shen Fang Di Zi No. 6000011780, etc.) provided by the client, and the house property without obtaining house property certificate shall be subject to the Letter of Entrustment for Appraisal provided by the client. The client promises that the materials provided by it are true and provides all materials related to the appraisal without reservation or concealment.

   The appraiser inspected the ownership certificate of the appraisal object and relevant materials provided by the property owner, and found no reason to doubt its legitimacy, authenticity, accuracy and completeness; limited by the qualification of archives inquiry by the housing and land management departments, the appraiser did not verify the ownership certificate of the appraisal object with the competent government department. In this case, we assume that the above ownership certificate and relevant materials provided by the property owner are legal, true, accurate and valid.

6. According to the ownership certificate of the appraisal object and the Letter of Entrustment for Appraisal provided by the property owner, the appraisal object has no mortgage and other encumbrance at the value time point, and there is no legal priority compensation, such as: unpaid land price and unpaid engineering funds.

   The registered real estate appraiser did not find any legal priority compensation for the appraisal object, such as: security right, pawn right, unpaid land price, unpaid engineering fund,lawsuit, arbitrate and so on.

7. The appraisers paid attention to significant factors that affect the value or price of the appraisal object, such as: house security and environmental pollution, etc., under the circumstance that there was no reason to suspect any security risks of the appraisal object and no professional institution had carried out corresponding identification or inspection, the appraisers assumed that the appraisal object has no significant unfavorable factors that impact the value or price of the appraisal object, such as: house security or environmental pollution.

8. The appraisal assumed that the land development degree shall be: ‘‘six links’’ (i.e., road, electricity, communications, water supply, drainage and gas supply) outside the red line, and ‘‘leveled ground’’ within the red line and under present conditions of the house.

9. Some houses included in the appraisal scope of Fong's National Engineering (Shenzhen) Co., Ltd. have not obtained the house property certificate, and the houses of Tycon Alloy Industries (Shenzhen) Co., Ltd. included in the appraisal scope have not obtained the house property certificate. These assets have been purchased and constructed successively after the establishment of the company to meet the production and living needs of the company, and the application procedures for construction of assets are not complete; the company organized relevant departments to clean up and bring it into the scope of this appraisal. The Chinese lawyer of Fong's National Engineering (Shenzhen) Co., Ltd. has informed that the lack of such real estate certificates will not cause any legal obstacles to the proposal on the transfer and reconstruction of the appraisal object stated in the Circular of CHTC Fong's International Company Limited dated 12 November 2021. Relevant parameters (such as: building structure, area, etc.) were determined according to the construction area recorded in the account provided by the company, the construction area acquired by consulting the design drawings, or the actual measurement by relevant personnel of the company.

The houses without obtaining house property certificate of Fong's National Engineering (Shenzhen) Co., Ltd. are as follows:

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
1	No. 3 generator room (including engineering team and machine room accessories)	Brick concrete structure	2004-08	450.00
2	Phase V plant (material warehouse)	Steel structure	2007-09	10,736.00
3	Plant B: plant expansion and storey addition	Steel structure	2002-12	630.00
4	Phase II B plant storey adding project (roof storey adding hardware department of plant 3)	Steel structure	2008-03	1,365.00
5	Gate, guard room and auxiliary room	Brick concrete structure	2004-09	441.60
6	Additional construction of office building	Brick concrete structure	2004-09	358.60
7	Additional construction of canteen	Brick concrete structure	2003-09	465.30
8	Post treatment workshop	Steel structure	2002-06	1,872.00
9	Phase II plant additionally constructed (north) office	Brick concrete structure	2004-06	275.40
10	Phase II plant additionally constructed (west) workshop	Steel structure	2004-06	3,100.00
11	Phase II plant additionally constructed (south) warehouse	Steel structure	2004-06	501.60
12	Additionally constructed (north) sewage treatment facilities of plant 3	Frame structure	2003-07	228.40

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
13	Grinding and cutting workshop of No. 3/phase I plant (east)	Steel structure	2000-06	1,916.20
14	Phase I plant additionally constructed (north) AB cross yarn steel workshop	Steel structure	2000-06	2,025.00
15	Phase I plant additionally constructed (top) machining workshop	Steel structure	2001-12	5,832.00
16	Phase I plant additionally constructed (top) test workshop	Steel structure	2003-06	613.60
17	Additionally constructed air compressor room on top of the generator house	Steel structure	2000-06	472.01
18	Finished product warehouse	Steel structure	2002-12	3,563.20
19	Flaw detection room	Brick concrete structure	1997-08	192.20
20	Dangerous goods warehouse	Brick concrete structure	2008-09	336.00
21	Secondary welding material warehouse	Steel structure	2008-09	330.00
22	Additionally constructed (top) Gaole workshop in building A of phase III	Steel structure	2007-12	7,236.00
23	Additionally constructed workshop on the east side of building A in phase III	Brick concrete structure	2007-12	95.20

The houses without obtaining house property certificate of Tycon Alloy (Shenzhen) Co., Ltd. are as follows:

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
1	NDT room	Brick concrete structure	2003-02	20
2	X-ray flaw detection room	Brick concrete structure	2000-10	45.56
3	Wax shooting workshop	Frame structure	2003-02	1927
4	Expansion of warehouse interlayer and shell making workshop	Steel structure	2006-12	4192
5	Intermediate warehouse plant reconstruction project	Brick concrete structure	2003-02	136
6	Pouring workshop	Bent structure	2003-02	4050
7	Furnace front office reconstruction project	Brick concrete structure	2003-02	56

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
8	Precision casting furnace front and office works	Brick concrete structure	2003-02	20.48
9	Steel warehouse	Steel structure	2003-02	500
10	Office engineering of quality assurance department	Brick concrete structure	2003-02	72
11	Newly built film development and evaluation room	Brick concrete structure	2003-02	49.58
12	Comprehensive office building	Brick concrete structure	2004-07	972
13	Machining office	Steel structure	2013-01	576
14	Steel cleaning tank and gas cylinder storage works	Brick concrete structure	2003-02	48
15	New machining workshop	Steel structure	2008-06	336
16	Three-coordinate room	Brick concrete structure	2013-01	96
17	Post treatment workshop	Steel structure	2000-05	4104
18	Materials department office	Steel structure	2006-07	112

10. According to the *Decision on Land Use Right Recovery* issued by Shenzhen Municipal Bureau of Land, Resources and Real Estate on 11 December, 2008 (Shen Guo Fang Long Shou Zi [2008] No. 0042), Shenzhen Municipal Bureau of Land, Resources and Real Estate recovered the land use right of 539.60 square meters of area in parcel No. G06406-4(5) and the land use right of 2077.19m^2 of area in parcel No. G06406-0005; at present, the actual land area of the enterprise is 113,931.71m^2, as follows:

S/N	Parcel No.	Area on Certificate (m^2)	Recovered Area in 2008 (m^2)	Actual Area (m^2)
1	G06406-4(1)	12,619.90		12,619.90
2	G06406-4(2)	3,170.30		3,170.30
3	G06406-4(3)	15,156.20		15,156.20
4	G06406-4(4)	1,582.50		1,582.50
5	G06406-4(5)	32,138.80	539.60	31,599.20
6	G06406-4(6)	4,900.90		4,900.90
7	G06406-0005	46,979.90	2,077.19	44,902.71
Total		**116,548.50**		**113,931.71**

According to the *Decision on Land Use Right Recovery* issued by Shenzhen Municipal Bureau of Land Resources and Real Estate on July 16th, 2009 (Shen Guo Fang Long Shou Zi [2009] No. 0041), Shenzhen Municipal Bureau of Land Resources and Real Estate shall recover the land use right of 1594.16 square meters in parcel No. G06406-4(1), 791.42 square meters in parcel No. G06406-4(6) and 3391.64 square meters in parcel No. G06406-4(5); the government announced the recovery of the above land, but these lands were not actually recovered, and the government also did not compensate Fong's National Engineering (Shenzhen) Co., Ltd.

11. The appraisers of our company conducted verification in combination with the Real Estate Certificate (Shen Fang Di Zi No. 6000011780, etc.) and the Legal opinion on the property ownership and mortgage of Fong's National Engineering (Shenzhen) Co., Ltd. in Danzhutou Industrial Zone, Nanwan Street, Longgang District, Shenzhen (2021 V&T Fa Yi Zi No. [1693]) issued by V&T (Shenzhen) Law Firm provided by the client, Fong's National Engineering (Shenzhen) Co., Ltd.. has full and clear ownership of the appraisal object (except for the real estate without property certificate mentioned in paragraph 9 above) without mortgage. Although the appraisal object without property certificate mentioned above will constitute a property right defect when transferring the property right, we note the opinions of V&T (Shenzhen) Law Firm and believe that there will be no legal obstacles to the proposed transfer and reconstruction of the appraisal object referred to in the Circular of CHTC Fong's International Company Limited to shareholders on 12 November 2021; as Fong's National Engineering (Shenzhen) Co., Ltd. owns the ownership of the land, the buildings built on the land will be demolished during reconstruction. On this basis, our company did not consider the ownership defects of these buildings in paragraph 9 above when valuing the appraisal object. The annual amount of land use tax to be paid by the enterprise is RMB233,078.2. Tycon Alloy Industries (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of CHTC Fong's International Company Limited and holds all interests in the structures additionally constructed on the property on the site.

II. Undetermined Assumptions

This report has no undetermined assumptions.

III. Assumptions Deviating from the Fact

This report does not have any assumption deviating from the fact.

IV. Inconsistent Assumptions

This report does not have any inconsistent assumption.

V. Assumptions about Insufficient Basis

This report does not have any assumptions about insufficient basis.

VI. Use Restrictions of Appraisal Report

1. In this report, the appraisal of the market value of the appraisal object, especially for the region of the appraisal object and the investigation, analysis and judgment of the related real estate market, were based on the text and interviewing data that we obtained and reflected the national and local economic, policy and market conditions before the last site operation of this appraisal. After the report had been issued, if the national and local economic, policy and market conditions change significantly, or natural disasters or other events of force majeure take place, or the premise conditions of this appraisal report change, the client and the relevant parties of the appraisal purpose should re-examine this report and the results. Meanwhile, we are not responsible for the above changes after the issuance of this report.

2. According to the relevant laws and regulations on real estate appraisal, the validity period of the appraisal report shall be calculated from the date of issuance of the appraisal report and shall not exceed one year (namely, from 20 October 2021 to 19 October 2022). The pricing standards of this appraisal are the effective price standards at the value time point. Within the validity period, if the conditions set in this report and the valuation principles followed in the valuation have changes, the valuation results need to be adjusted accordingly. If the validity period is exceeded, it needs to be reappraised.

3. All the data in this appraisal report are computerized and calculated continuously. Since the data calculated in the report are rounded to reserve two decimal places or to round-off number, there may be some incomplete equality between the left and right of individual equations, but it does not affect the accuracy of the calculation results and the final appraisal conclusion.

4. The appraisal object of this report is to provide a reference basis for the clients to understand the market value of the appraisal object. The appraisal report, as a whole and the appraisal conclusion thus obtained, is only provided to the client and used for the purposes listed in the report. Except for the above case, no matter the whole or part of the report, or any hint involving our company or the signatory of the report, shall be quoted in any document, including any announcement, registration certificate, prospectus, purchase guide, other appraisal and other agreements, before obtaining the prior written approval of our company. If the client and relevant parties need to involve our company in future documents related to the appraisal object, we will reserve the right to review and approve the relevant wording in the document.

Part V Real Estate Appraisal Results Report

I. Appraisal Client

Company Name: Fong's National Engineering (Shenzhen) Co., Ltd.

Contact: Li Yuanqin

Tel: 13714036248

II. Real Estate Appraisal Agency

Company Name: Beijing Zhongzi Real Estate Appraisal Co., Ltd.

Address: Room 1603, Unit 6, 13th Floor, No. 18, Xi Zhi Men Wai Street, Xicheng District, Beijing

Unified social credit Code: 911101087263404262

Real estate appraisal agency record-keeping certificate No.: Jian Fang Gu Bei Zi [2015] No. 019

Qualification Level: Level 1 (valid from 25 May, 2021 to 24 May, 2024)

Legal Representative: Feng Chunlei

Contact: Sun Fangfang

Tel: 010-88334853-805

III. Appraisal Purpose

To provide the reference basis of the appraisal object, so the client can understand the market value of the appraisal object.

IV. Appraisal Object

As of the value date, the appraisal object is located in the factory area of Fong's National Engineering (Shenzhen) Co., Ltd. (No. 17-19, Lixin Road, Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen). The real estate certificates have been obtained for most of the properties, but the real estate certificates for some properties have not been obtained. The appraisal object is the land and buildings thereon within the plant area of Fong's National Engineering (Shenzhen) Co., Ltd. from No. 17-19 Lixin Road in Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen (with total estimation construction area of 149,122.78m^2). The appraisal object will be rebuilt according to the urban renewal. The relevant details are published in the Circular of CHTC Fong's International Company Limited on 12 November 2021.

(I) Geographical location

The appraisal object is located at No. 17-19, Lixin Road, Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen, and its east is FUTEBA, its south is Longgang Road, its west is Baoguan Road and its north is Enlai Industrial Town.

(II) Status of rights

According to the Real Estate Certificate provided by the client, the details of the land certificate are shown in the table below:

Parcel No.	Land Ownership Certificate No.	Land Location	Expiration Date	Land Nature	Land Use	Land Area on Certificate (m^2)	Appraisal Land Area (m^2)
G06406-4(6)	Shen Fang Di Zi No. 6000011780	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011782	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	272.50	272.50
G06406-4(6)	Shen Fang Di Zi No. 6000011783	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	272.50	272.50
G06406-4(6)	Shen Fang Di Zi No. 6000011784	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011785	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011786	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011787	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20

Parcel No.	Land Ownership Certificate No.	Land Location	Expiration Date	Land Nature	Land Use	Land Area on Certificate (m^2)	Appraisal Land Area (m^2)
G06406-4(6)	Shen Fang Di Zi No. 6000011788	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011789	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011790	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011791	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011792	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011793	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011794	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011795	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011796	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011797	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011798	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011799	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	214.80	214.80
G06406-4(6)	Shen Fang Di Zi No. 6000011800	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	227.20	227.20
G06406-4(6)	Shen Fang Di Zi No. 6000011810	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	278.70	278.70
G06406-4(1)	Shen Fang Di Zi No. 6000114173	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial land	12,619.90	12,619.90
G06406-4(3)	Shen Fang Di Zi No. 1003278	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/7/22	State-owned transferred land	Industrial storage	15,156.20	15,156.20
G06406-4(4)	Shen Fang Di Zi No. 1003277	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial storage	1,582.50	1,582.50

Parcel No.	Land Ownership Certificate No.	Land Location	Expiration Date	Land Nature	Land Use	Land Area on Certificate (m^2)	Appraisal Land Area (m^2)
G06406-4(2)	Shen Fang Di Zi No. 1003276	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/7/22	State-owned transferred land	Industrial storage	3,170.30	3,170.30
G06406-4(5)	Shen Fang Di Zi No. 1003274	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial land	32,138.80	31,599.20
G06406-0005	Shen Fang Di Zi No. 6000278223	No. 17-19, Lixin Road, Danzhutou Village, Buji Town	2041/4/5	State-owned transferred land	Industrial land	46,979.90	44,902.71

The land area recovered according to the Decision on Land Use Right Recovery (Shen Guo Fang Long Shou Zi No. 2008 [0042]) has been deducted from the appraised land area

The land use rights included in the above 27 real estate certificates are essentially connected together to the whole land, with a relatively regular shape. The land ownership of the land to be appraised belongs to the state and is obtained by Fong's National Engineering (Shenzhen) Co., Ltd. in the form of transfer. There is no co owner of the land use right, and no mortgage, security right, lease right or other rights are set. Among them, the expiration period of the land use right of 95,605.21m^2 is 5 April, 2041 (the remaining land use period according to the appraisal benchmark date is 19.53 years); the land use right of 18,326.5m^2 expires on 22 July 2041 (the remaining land use period from the appraisal benchmark date is 19.82 years), and there are no special provisions on the use of the parcel of land.

Except for the land of No. G06406-4(5), permanent buildings have been built on the land of the other 26 components, with a total construction area of 88,774.85m^2, of which 26,923.76m^2 are now used as dormitories, 58,729.81m^2 are now used as industrial plants and 3,121.28m^2 are now used as offices. The details of the houses with property right certificates are as follows:

S/N	Parcel No.	Land Certificate No.	Actual Land Area (m^2)	Building Name	Structure	As-built Date	Construction Area (m^2)
1	G06406-4(6)	Shen Fang Di Zi No. 6000011780	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
2	G06406-4(6)	Shen Fang Di Zi No. 600001178	272.50	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,497.40
3	G06406-4(6)	Shen Fang Di Zi No. 6000011783	272.50	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,497.40
4	G06406-4(6)	Shen Fang Di Zi No. 6000011784	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
5	G06406-4(6)	Shen Fang Di Zi No. 6000011785	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
6	G06406-4(6)	Shen Fang Di Zi No. 6000011786	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
7	G06406-4(6)	Shen Fang Di Zi No. 6000011787	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
8	G06406-4(6)	Shen Fang Di Zi No. 6000011788	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08

S/N	Parcel No.	Land Certificate No.	Actual Land Area (m^2)	Building Name	Structure	As-built Date	Construction Area (m^2)
9	G06406-4(6)	Shen Fang Di Zi No. 6000011789	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
10	G06406-4(6)	Shen Fang Di Zi No. 6000011790	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
11	G06406-4(6)	Shen Fang Di Zi No. 6000011791	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
12	G06406-4(6)	Shen Fang Di Zi No. 6000011792	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
13	G06406-4(6)	Shen Fang Di Zi No. 6000011793	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
14	G06406-4(6)	Shen Fang Di Zi No. 6000011794	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
15	G06406-4(6)	Shen Fang Di Zi No. 6000011795	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
16	G06406-4(6)	Shen Fang Di Zi No. 6000011796	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
17	G06406-4(6)	Shen Fang Di Zi No. 6000011797	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
18	G06406-4(6)	Shen Fang Di Zi No. 6000011798	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
19	G06406-4(6)	Shen Fang Di Zi No. 6000011799	214.80	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,180.17
20	G06406-4(6)	Shen Fang Di Zi No. 6000011800	227.20	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,248.08
21	G06406-4(6)	Shen Fang Di Zi No. 6000011810	278.70	High-rise building used as workers' dormitory	Frame-shear wall structure	Jan., 1996	1,531.43
22	G06406-4(1)	Shen Fang Di Zi No. 6000114173	12,619.90	Fong's phase II plant	Steel structure	Jan., 2003	7,717.08
23	G06406-4(3)	Shen Fang Di Zi No. 1003278	15,156.20	No. 2 plant	Mixed structure	Feb., 1995	26,015.00
24	G06406-4(4)	Shen Fang Di Zi No. 1003277	1,582.50	No. 1 generator house	Mixed structure	Feb., 1995	652.70
25	G06406-4(2)	Shen Fang Di Zi No. 1003276	3,170.30	No. 3 plant	Mixed structure	Feb., 1995	3,002.90
26	G06406-4(5)	Shen Fang Di Zi No. 1003274	31,599.20	No certified permanent buildings			
27-1	G06406-0005	Shen Fang Di Zi No. 6000278223	44,902.71	Plant A of phase III	Frame structure	Oct., 2004	15,252.39
27-2	G06406-0005			Office Building A of phase III	Frame structure	Oct., 2004	3,121.28
27-3	G06406-0005			Plant B of phase III	Steel structure	April, 2005	6,089.74
	Subtotal		**113,931.71**				**88,774.85**

The houses of Fong's National Engineering (Shenzhen) Co., Ltd. without obtaining house property certificates are as follows:

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
1	No. 3 generator room (including engineering team and machine room accessories)	Brick concrete structure	2004-08	450.00
2	Phase V plant (material warehouse)	Steel structure	2007-09	10,736.00
3	Plant B: plant expansion and storey addition	Steel structure	2002-12	630.00
4	Phase II B plant storey adding project (roof storey adding hardware department of plant 3)	Steel structure	2008-03	1,365.00
5	Gate, guard room and auxiliary room	Brick concrete structure	2004-09	441.60
6	Additional construction of office building	Brick concrete structure	2004-09	358.60
7	Additional construction of canteen	Brick concrete structure	2003-09	465.30
8	Post treatment workshop	Steel structure	2002-06	1,872.00
9	Phase II plant additionally constructed (north) office	Brick concrete structure	2004-06	275.40
10	Phase II plant additionally constructed (west) workshop	Steel structure	2004-06	3,100.00
11	Phase II plant additionally constructed (south) warehouse	Steel structure	2004-06	501.60
12	Additionally constructed (north) sewage treatment facilities of plant 3	Frame structure	2003-07	228.40
13	Grinding and cutting workshop of No. 3/phase I plant (east)	Steel structure	2000-06	1,916.20
14	Phase I plant additionally constructed (north) AB cross yarn steel workshop	Steel structure	2000-06	2,025.00
15	Phase I plant additionally constructed (top) machining workshop	Steel structure	2001-12	5,832.00
16	Phase I plant additionally constructed (top) test workshop	Steel structure	2003-06	613.60
17	Additionally constructed air compressor room on top of the generator house	Steel structure	2000-06	472.01
18	Finished product warehouse	Steel structure	2002-12	3,563.20
19	Flaw detection room	Brick concrete structure	1997-08	192.20
20	Dangerous goods warehouse	Brick concrete structure	2008-09	336.00

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
21	Secondary welding material warehouse	Steel structure	2008-09	330.00
22	Additionally constructed (top) Gaole workshop in building A of phase III	Steel structure	2007-12	7,236.00
23	Additionally constructed workshop on the east side of building A in phase III	Brick concrete structure	2007-12	95.20

The houses of Tycon Alloy Industries (Shenzhen) Co., Ltd. without obtaining house property certificates are as follows:

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
1	NDT room	Brick concrete structure	2003-02	20
2	X-ray flaw detection room	Brick concrete structure	2000-10	45.56
3	Wax shooting workshop	Frame structure	2003-02	1,927
4	Expansion of warehouse interlayer and shell making workshop	Steel structure	2006-12	4,192
5	Intermediate warehouse plant reconstruction project	Brick concrete structure	2003-02	136
6	Pouring workshop	Bent structure	2003-02	4050
7	Furnace front office reconstruction project	Brick concrete structure	2003-02	56
8	Precision casting furnace front and office works	Brick concrete structure	2003-02	20.48
9	Steel warehouse	Steel structure	2003-02	500
10	Office engineering of quality assurance department	Brick concrete structure	2003-02	72
11	Newly built film development and evaluation room	Brick concrete structure	2003-02	49.58
12	Comprehensive office building	Brick concrete structure	2004-07	972
13	Machining office	Steel structure	2013-01	576
14	Steel cleaning tank and gas cylinder storage works	Brick concrete structure	2003-02	48
15	New machining workshop	Steel structure	2008-06	336
16	Three-coordinate room	Brick concrete structure	2013-01	96

S/N	Asset Name	Structure	As-built Date	Construction Area (m^2)
17	Post treatment workshop	Steel structure	2000-05	4,104
18	Materials department office	Steel structure	2006-07	112

According to the ownership certificate of the appraisal object and the Letter of Entrustment for Appraisal provided by the client, the appraisal object has no mortgage and other encumbrance at the value time point, and there is no legal priority compensation, such as: unpaid land price and unpaid engineering funds, lawsuit, arbitrate and so on.

(III) Physical condition

- Fong's National Engineering (Shenzhen) Co., Ltd.

The buildings mainly include high-rise building used as workers' dormitory, Fong's phase II plant, No. 2 plant, No. 1 power generation house, No. 3 plant, phase III plant A and office building, phase III plant B, phase V plant (material warehouse) and other production and office auxiliary buildings. The houses are self built and self used houses, which were successively completed and put into use from January 1996 to September 2008. The construction area of the houses is 131,810.16m^2, including 88,774.85m^2 of area that has obtained property right certificate.

The structures include site earthwork leveling and slope earthwork (slope protection), roads in the plant area, enclosure works, garbage pool shed, etc. The structure was completed and put into use from June 1995 to July 2012.

Structural types of main buildings

The production plant is mainly of steel structure, and the foundation adopts reinforced concrete pile or steel pipe pile. The enclosure structure adopts color steel plate, and some plants have no enclosure structure. The plant floor is generally concrete, reinforced concrete floor, etc. Aluminum alloy windows, plastic steel windows, steel gates, steel rolling shutter doors, etc. are adopted for doors and windows. The roof adopts section steel beam or section steel roof truss, and the roof adopts color steel plate roof. The water supply and drainage is galvanized steel pipe; the lighting is general factory lighting.

Non production office auxiliary buildings mainly adopt steel structure and reinforced concrete frame structure, reinforced concrete strip foundation, reinforced concrete pile, cast-in-situ reinforced concrete stairs and cast-in-situ reinforced concrete floors. The enclosure structure mainly adopts non-clay brick wall, aerated concrete block wall or color steel plate, and foam color coated board. Most of the interior walls are primed with cement mortar and painted. Most of the ground adopts concrete ground, cement mortar surface course, tiling, etc. Doors and windows mainly adopt aluminum alloy windows, plastic steel windows, frameless glass free doors and wooden doors. The roof adopts coiled material waterproof roof. The water supply and drainage adopts galvanized steel pipes. The lighting adopts general factory lighting, stainless steel grid lamp, energy-saving down lamp, etc.

Steel structure: it is mainly used for large production plants, and the structure type is all steel structure. Use steel column, steel roof truss, steel support, crane beam, steel platform, section steel or grid structure ceiling, etc. The pipe supports are all steel frames. The floor adopts concrete and reinforced concrete floor, the plain soil is compacted in layers: the 200mm thick gravel cushion, the 200mm C20 thick concrete surface layer, and the surface is calendered and equipped with Φ4 steel bars with 200mm two-way middle distance of reinforcement. For the wall part of below 0.2m of the plant external wall, adopts 240mm thick lime sand bricks with strength grade no less than mu10, pours masonry mortar YQ5 and plasters mortar YF5. For the wall of maintenance structure with height of over 0.2m, adopt YX28-205-820 single-layer color steel plate with thickness of 0.6mm and color plate galvanized base. The doors and windows adopt aluminum alloy push-pull windows, plastic steel push-pull windows, shutters, etc., and fasting double-sided steel plate doors. The daylighting belt adopts 1.5mm thick FRP flame-retardant reinforced polyester glass fiber light wave plate with the specification of 2400g/m^2 and soft diffuse daylighting. The roof adopts W600 type 0.8mm thick single-layer color steel plate, color plate galvanized base and double-slope roof. The structure has complete indoor water supply and drainage, electrical lighting, lightning protection, power, fire fighting and other facilities.

Frame structure buildings are mostly used for single-storey or multi-storey industrial plants and some non productive buildings. The foundation is generally reinforced concrete pile or steel pipe pile, reinforced concrete independent column foundation, reinforced concrete rectangular beam, beam slab and rectangular column to form the frame skeleton of the whole house. The enclosure wall is 240mm thick non clay brick wall or aerated concrete block wall, and the external wall is plastered with cement mortar, pasted with granite, pasted with ceramic tiles, painted with paint, etc. The inner wall is 200-240mm thick aerated concrete block wall, mixed mortar plastering, coating, emulsion paint, etc. The ground adopts concrete ground, with ceramic tile, floor tile ground or water-based environmental protection epoxy ground, etc. Staircase steps are cement steps, pasted with tiles, and the stair railings adopt stainless steel railings, etc. The ceiling adopts light steel keel, with aluminum gusset plate ceiling, gypsum board ceiling, etc. The doors and windows adopt frameless glass doors, aluminum alloy windows, plastic steel windows, indoor solid wood doors, plywood doors, etc. The wall and ground of the toilet are pasted with ceramic tiles, and the toilet has aluminum gusset plate ceiling and ordinary sanitary ware. The roof adopts cast-in-situ reinforced concrete roof slab, laid with overhead heat insulation board and adopts chlorinated polyethylene (CPE) polymer waterproof coiled material for waterproofing. The structure has complete indoor water supply and drainage, electrical lighting, lightning protection, power, fire fighting, communication and other facilities are complete.

The brick concrete structure is mainly the belt type rubble foundation. The outer wall adopts 240mm thick non clay brick wall and foam color coated board, and the inner wall is 240mm thick non clay brick wall, and cast-in-place reinforced concrete floor. Exterior wall adopts foam color coated board, and the inner wall adopts foam color coated panels, plastic steel doors and plastic steel windows, etc. The ground adopts concrete ground, and tiles are pasted. The roof adopts color steel roof slab. The structure has complete indoor water supply and drainage, electrical lighting and communication facilities.

The structures mainly include site earthwork leveling and slope earthwork (slope protection), internal roads in the plant area, enclosure works, garbage pool shed, etc. Generally, they are reinforced concrete structure, brick masonry, steel structure, etc. The surface of structures is plastered with cement mortar, and some structures are provided with anti-corrosion surface course.

- Tycon Alloy Industries (Shenzhen) Co., Ltd.

The houses and buildings mainly include wax shooting workshop, warehouse interlayer and additionally constructed building of shell making workshop, pouring workshop, steel warehouse, comprehensive office building, machining office and other production and office auxiliary rooms. The houses are self built and self used houses, which were successively completed and put into use from October 2000 to January 2013. The total construction area of the houses is 17,312.62m^2, and the company did not obtain property right certificates for these houses and buildings.

The structures include smoking room (iron sheet room), steel structure canopy, enclosure of flaw detection room, cement floor, ground of hydrostatic test room, etc. The structure was completed and put into use from February 2003 to October 2009.

According to the field survey by the appraisers, no uneven settlement is found on the building foundation of the appraisal object, the house structure is intact, the wall tiles on the outer wall are partially peeled off, the internal decoration is basically removed, and some doors and windows are damaged. Water sanitation and electric lighting equipment are complete and intact; the communication system works normally.

(IV) Parcel infrastructure status

At present, the development degree of the land where the appraisal object is located has reached the "six connections" (road, power, communication, water supply, drainage and gas supply) outside the red line of the land.

V. Value Time Point

As required by the entrusting party, 30 September, 2021 is the value time point, and the appraiser's field survey date was 17 October, 2021. The physical condition of the value time point is consistent with that of the appraiser's field survey. The pricing standards of this appraisal are effective price standards at the value time point.

VI. Value Type

According to the technical regulations of the real estate appraisal and the specific requirements of the project, the real estate value of the current appraisal is the market value of houses and buildings under the current conditions and the land is the market value under the condition of transferring the land price.

The transfer price of mature land refers to the mature land price obtained by means of transfer under the current use and utilization conditions of the appraisal object on 30 September, 2021, the legal purpose specified in the certificate, the legal land service life specified in the certificate, the "six connections and one leveling" inside and outside the red line of the parcel of land (namely, road, power supply, communication, water supply, drainage, gas supply outside the parcel of land, land leveling in the parcel of land).

The value of this appraisal is the market value of the appraisal object in the state of full property right, including the value of the shared land use right and the value of buildings (the appraisal result includes the value of immovable decoration and equipment attached to buildings that cannot be divided). The purpose of this appraisal is to provide reference for the entrusting party to determine the market value of the real estate.

VII. Valuation Principle

1. Principle of independence, objectivity and impartiality

It is required to stand in a neutral position and evaluate the value or price that is fair and reasonable to all interested parties in a realistic and fair manner.

2. Principle of Legality

The principle that the appraisal result is the value or price of the appraisal object determined according to law.

3. Value time point principle

It is required that the appraisal result is the value or price principle determined at a specific time according to the appraisal purpose.

4. Substitution principle

The principle that the value or price deviation between the appraisal result and the similar real estate of the appraisal object under the same conditions is within a reasonable range.

5. Principle of highest and best utilization

The principle that the appraisal result is the value or price under the highest and best utilization conditions of the appraisal object.

Highest and best use: the reasonable and possible use of the real estate that is legally allowed, technically possible and financially feasible and maximizes the value, including the best use, scale, grade, etc.

VIII. Appraisal Basis

1. Relevant laws, regulations, policies and technical standards

(1) *Land Administration Law of the People's Republic of China*;

(2) *Law of the People's Republic of China on the Administration of Urban Real Estate*;

(3) *Civil Code of the People's Republic of China*;

(4) *Asset Appraisal Law of the People's Republic of China*;

(5) *Interim Regulations of the People's Republic of China on the Assignment and Transfer of the Right of Using Urban State Owned Land*;

(6) *Code of the People's Republic of China for Real Estate Appraisal [GB/T 50291-2015]*;

(7) *Regulations of the People's Republic of China on Urban Land Appraisal [GB/T 18508-2014]*;

(8) *Specification for Basic Terms of Real Estate Appraisal of the People's Republic of China [GB/T 50899-2013]*;

(9) Chapter V of the Securities Listing Rules promulgated by The Stock Exchange of Hong Kong Limited;

(10) *The Hong Kong Institute of Surveyors Property Valuation Standards* published by the Hong Kong Institute of Surveyors;

(11) *International Valuation Standards* published by the International Valuation Standards Committee.

2. Data provided by the client

(1) Data provided by the entrusting party and the asset owner.

3. Relevant data obtained and collected by real estate appraisal institutions and registered real estate appraisers, as well as data obtained from field survey.

IX. Valuation Method

The commonly used real estate appraisal methods mainly include market comparison method, income method, cost method, hypothetical development method and benchmark land price correction method.

Considering the specific characteristics of the appraisal object, appraisal of the land use right adopts the market comparison method and the benchmark land price coefficient correction method. The appraisal of houses, buildings and structures adopts replacement cost method, and then the two appraisal results are summed to calculate the market value of the real estate of the appraisal object.

- Replacement cost method

The appraisal value of this method comes from the following formula:

Appraisal value = replacement cost × Comprehensive newness rate

1. Determination of replacement cost

Replacement cost = construction and installation engineering cost + preliminary cost of project construction and other expenses + capital cost

(1) Construction and installation project cost

Construction and installation project cost: for key projects with budget estimates, budget and final accounts, the budget and final accounts adjustment method is adopted, that is, the appraisers calculate the construction and installation project cost of the project according to the budget and final accounts quantities, quotas and price documents applicable on the benchmark date.

For the key projects without budgetary estimate and budget and final settlement data, the construction and installation cost of the project on the appraisal base date is measured and calculated by the restated budget method, that is, the appraisers calculate the quantities according to the drawings provided by the asset occupying unit and the actual situation of on-site investigation, and calculate the construction and installation cost of the project according to the relevant quota and the price documents applicable to the appraisal base date.

For general construction projects, the appraisers refer to the construction and installation project cost of the same type, and obtain the project cost of the appraised building after correcting the differences in the project cost of floor height, column spacing, span, decoration standard, hydropower facilities and so on.

(2) Preliminary expenses and other expenses of project construction

The preliminary and other expenses are calculated according to the national and industrial standards and relevant local regulations. The contents and charging standards are shown in the table below:

S/N	Expense name	Charge base	Rate (%)	Charging basis
1	Construction unit management fee	Construction and installation cost	1.56%	Cai Jian No. [2016]504
2	Survey and design fee	Construction and installation cost	3.90%	Fa Gai Price No. (2015) 299
3	Project supervision fee	Construction and installation cost	2.40%	Fa Gai Price No. (2015) 299
4	Project bidding agency fee	Construction and installation cost	0.39%	Fa Gai Price No. (2015) 299

S/N	Expense name	Charge base	Rate (%)	Charging basis
5	Consulting fees for preliminary work of construction project	Construction and installation cost	0.70%	Fa Gai Price No. (2015) 299
6	Environmental impact assessment fee	Construction and installation cost	0.18%	Fa Gai Price No. (2015) 299
	Subtotal		9.13%	
1	Termite control fee	Construction area	7 Yuan/m^2	Yue Price No. [2002]370

(3) Capital cost

The capital cost is determined based on the reasonable construction period of the project, the LPR interest rate of the corresponding period on the benchmark date, and the sum of the construction and installation cost and the early-stage and other costs.

Capital cost = (construction and installation cost + preliminary and other expenses) × Construction period × LPR interest rate × 1/2.

2. Determination of newness rate

The newness rate is one of the parameters used to determine the condition of the appraised property, and the appraisal value is calculated according to this appraisal method. The newness rate of this appraisal is determined according to the comprehensive calculation of (i) the on-site investigation newness rate determined by the scoring method and (ii) the theoretical newness rate determined by the economic life method. The weighted average of the conclusions of the two methods is taken as the comprehensive newness rate of the building.

The determination of on-site investigation newness rate shall be based on the proportion of foundation, load-bearing components, walls, roofs, floors and other structural parts of the building, interior and exterior wall decoration, doors and windows and other decorative parts, as well as water, electricity, sanitation and other equipment parts in the cost of the building to determine their standard scores; then, according to the actual situation of on-site investigation, determine the intact score of various types of appraisal, determine the intact score of the whole building according to this score, and calculate the newness rate of on-site investigation of the building.

On-site investigation newness rate (%) = ∑ intact score/standard score × 100%

Theoretical newness rate (%) = (1-used service life/economic life) × 100%

Comprehensive newness rate (%) = On-site investigation newness rate × 60% + theoretical newness rate × 40%

- Comparison Method

The comparison method is to compare the price of the land to be appraised with similar land transactions that have occurred in a relatively recent period according to the substitution principle, and revise the land price of the land to be appraised on the benchmark date according to the known price of the latter and with reference to the differences of the land transaction, date, region and individual factors. The basic formula is:

Price of the land to be appraised = price of the land in the comparative case × Transaction correction factor × Correction factor of trading period day × Location condition correction coefficient × Physical condition correction factor × Year correction factor

- Base land price coefficient correction method

The benchmark land price coefficient correction method is a method to estimate the objective price of the land through the analysis of the influencing factors of the land price of the land to be appraised and the use of the parcel land price correction coefficient to correct the published benchmark land price of the same level or the same region for the same purpose in the town where the land to be appraised is located. The basic formula is as follows:

Total land price = benchmark land price × construction area × K1 × K2 × K3 × K4

Where:

K1 – correction coefficient of building type

K2 – service life correction factor

K3 – correction coefficient of plot ratio of industrial land

K4 – correction coefficient of appraisal period date

X. Appraisal Results

According to the appraisal purpose, the appraisers followed the principles of appraisal and the appraisal procedures, adopted scientific evaluation methods; based on careful analysis of the existing data, after careful and accurate calculation and taking consideration of all the factors affecting the real estate price, finally appraised the open market value of the appraisal object at the value time point (30 September, 2021) under the existing state and utilization conditions to be (currency: RMB):

Total real estate price (Amount in figures) RMB461,454,700

(Amount in words) Say RMB four hundred and sixty-one million four hundred and fifty-four thousand and seven hundred Yuan only

Company Name	Building Value (Unit: 10000 Yuan)	Value of Structures (10,000 Yuan)	Value of Land Use Right (10,000 Yuan)	Total (Unit: 10,000 Yuan)
Fong's National Engineering (Shenzhen) Co., Ltd.	21,220.42	433.38	22,485.53	44,139.33
Tycon Alloy Industries (Shenzhen) Co., Ltd.	1,997.24	8.9	–	2,006.14
Subtotal	**23,217.66**	**442.28**	**22,485.53**	**46,145.47**

XI. Certified Real Estate Appraisers

Name	Registration No.	Practice period	Signature	Date of Signature
Sun Fangfang	1120090002	12 years		20 October 2021
Jiang Nu	1120070053	14 years		20 October 2021

Note: the above appraisers are practicing members of China Society of Real Estate Appraisers and Real Estate Agents (CIREA)

XII. Site Survey Period

17 October 2021.

XIII. Appraisal Operation Period

25 September 2021 to 20 October 2021.

Beijing Zhongzi Real Estate Appraisal Co., Ltd.
20 October 2021

Part VI Annexes

I. Location Sketch Map of Appraisal Object;

II. Field Survey Data and Relevant Photos of the Appraisal Object;

III. *Letter of Entrustment for Appraisal;*

IV. *Real Estate Certificate* (Shen Fang Di Zi No. 6000011780, etc.);

V. *Decision on Land Use Right Recovery* (Shen Guo Fang Long Shou Zi No. 2008 [0042] and Shen Guo Fang Long Shou Zi No. 2009 [0041]);

VI. Photocopy of Business License of the Client;

VII. Photocopy of Business License of Appraisal Agency;

VIII. Photocopy of Qualification Certificate of Appraisal Agency;

IX. Photocopy of Qualification Certificate of Appraisers.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in Shares

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fong Kwok Leung, Kevin	Beneficial owner	3,100,000	0.28%
	Held by spouse	200,000	0.02%
	Beneficiary of a discretionary trust *(Note)*	174,904,220	15.90%
		178,204,220	16.20%

Note 1: Mr. Fong Kwok Leung, Kevin is a beneficiary of a discretionary trust which owns the entire share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 174,904,220 Shares. By virtue of the SFO, Mr. Fong Kwok Leung, Kevin is deemed to be interested in the 174,904,220 Shares which the discretionary trust owns.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

***(i)* Long Position in Shares**

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China National Machinery Industry Corporation	Corporate interests *(Note A)*	615,408,140	55.94%
Mr. Fong Sou Lam	Founder of a discretionary trust *(Note B)*	174,904,220	15.90%

Note A: By virtue of the SFO, China National Machinery Industry Corporation is deemed to be interested in 615,408,140 shares held by its two wholly-owned subsidiaries as follows:

(i) China Hi-Tech Holding Company Limited – 357,790,500 shares

(ii) Newish Trading Limited – 257,617,640 shares

Mr. Ye Maoxin, Mr. Guan Youping and Ms. Guo Yunfei, all being Executive Directors of the Company, are the directors of China Hi-Tech Holding Company Limited.

Note B: Mr. Fong Sou Lam is the founder of a discretionary trust which owns the entire issued share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 174,904,220 Shares.

By virtue of the SFO, Mr. Fong Sou Lam is deemed to be interested in the 174,904,220 Shares which the discretionary trust owns.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was considered to have interests in businesses apart from the business of the Group, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at such date and which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any of its subsidiary which does not expire or is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

7. MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the date of this circular.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and there was no litigation or arbitration or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. EXPERTS AND CONSENTS

The following is the qualification of the expert who has been named in this circular or has given opinions or advice which are contained in this circular:

Name	Qualification
北京中資房地產土地評估有限公司 (Beijing Zhongzi Real Estate Appraisal Co., Ltd.)	Professional Valuer

The expert listed above 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, the expert listed above did not have any shareholding, directly or indirectly, in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, the expert listed above did not have any direct or indirect interests in any assets which had been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

10. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.fongs.com) from the date of this circular and up to and including the date of the SGM:

– this circular;

– the Co-operation Agreement;

– the First Supplemental Agreement and the Second Supplemental Agreement;

– the New Supplemental Agreement;

– the memorandum of association and the Bye-laws of the Company;

– the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020;

– the interim report of the Company for the six months ended 30 June 2021;

– the real estate appraisal report on the Land and the existing properties thereon, the text of which is set out in Appendix II to this circular; and

– the letter of consent referred to in the paragraph headed "Experts and consents" in this appendix.

11. VOTING AT THE SGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except for resolution which relates purely to a procedural or administrative matter. In order to comply with the Listing Rules, the chairman of the SGM will demand a poll for every resolution put to the vote at the SGM pursuant to bye-law 70 of the Bye-laws. The Company will announce the poll result after the SGM.

12. GENERAL

(a) The registered office of the Company is situated at 5th Floor, Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company in Hong Kong is situated at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong.

(b) The branch registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. Lee Che Keung. Mr. Lee is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England.

(d) The original version of the valuation report on the Land and the existing properties thereon is in Chinese, and the English version of the said valuation report is a translation from the Chinese original. Should there be any discrepancy between the Chinese and English versions of the valuation report, the Chinese version shall prevail. Except for the aforesaid, in the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

CHTC FONG'S INTERNATIONAL COMPANY LIMITED
中國恒天立信國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 641)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting of CHTC Fong's International Company Limited (the "Company") will be held at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong on Monday, 29 November 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the new supplemental agreement dated 30 September 2021 (the "New Supplemental Agreement") entered into among 立信染整機械(深圳)有限公司 (Fong's National Engineering (Shenzhen) Co., Ltd.#), Fong's National Engineering Company, Limited, Fong's National Engineering Shenzhen Holding Limited, 深圳市中意恒尚房地產開發有限公司 (Shenzhen Zhongyi Hengshang Property Development Company Limited#), 深圳市金城光明房地產有限公司 (Shenzhen Golden City Light Real Estate Limited#) and 深圳市建誠泰投資有限公司 (Shenzhen Jianchengtai Investment Company Limited#) in relation to the proposed variation of the terms of the Co-operation agreement dated 28 March 2014 (as amended from time to time) entered into between, among others, 立信染整機械(深圳)有限公司 (Fong's National Engineering (Shenzhen) Co., Ltd.#) and 深圳市中意恒尚房地產開發有限公司 (Shenzhen Zhongyi Hengshang Real Estate Development Company Limited#) in relation to the urban renewal project as stipulated therein (the details relating to the New Supplemental Agreement are set out in the circular of the Company dated 12 November 2021) and a copy of the New Supplemental Agreement has been produced to this meeting and initialed by the chairman of this meeting for the purpose of identification) be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of such director, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated under, the New Supplemental Agreement."

By order of the Board
CHTC Fong's International Company Limited
Lee Che Keung
Company Secretary

Hong Kong, 12 November 2021

Notes:

1. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Friday, 26 November 2021 to Monday, 29 November 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 November 2021.

2. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or, if he is a holder of more than one share, proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the principal place of business of the Company in Hong Kong at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong not less than 48 hours before the time for holding of the meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or any adjournment thereof) if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the ordinary resolution set out in the notice convening the meeting will be voted by way of poll at the meeting.

7. In view of the recent development of the coronavirus epidemic caused by coronavirus disease 2019 (COVID-19), and in order to better protect the safety and health of the shareholders of the Company, a series of epidemic precautionary measures will be implemented at the venue of the meeting:

   (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of the meeting. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue; and

   (ii) every person is required to wear a facial mask at the venue of the meeting.

8. The Company will not serve refreshment at the meeting to avoid the coming into close contact amongst participants. The Company wishes to remind its shareholders and other participants who will attend the meeting in person to take personal precautions and abide by the requirements of epidemic precaution and control at the venue of the meeting. The Company also advises its shareholders to attend and vote at the meeting by way of non-physical presence. The shareholders of the Company may choose to vote by filling in and submitting the relevant proxy form of the meeting, and appoint the chairman of the meeting as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the meeting in person.