THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Huazhang Technology Holding Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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华章科技
HUAZHANG TECHNOLOGY

HUAZHANG TECHNOLOGY HOLDING LIMITED

華章科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1673)

MAJOR TRANSACTION

PARTICIPATION IN BANKRUPTCY RESTRUCTURING PROCEEDINGS LEADING TO THE ACQUISITION OF THE DEBTOR COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

This circular together with a form of proxy will remain on the Company's website at http://www.hzeg.com.

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 4 to 26 of this circular.

A notice convening the EGM to be held at Suite 901, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Hong Kong on Friday, 27 February 2026 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy, in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. on Wednesday, 25 February 2026) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

3 February 2026

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

"Administrator"	Yunnan Hengjia Assets Liquidation Co., Ltd.* (雲南恆嘉資產清算有限公司), the company appointed by the Longyang Court in June 2023 to be the administrator of the bankruptcy restructuring of the Debtor Company
"Asset Valuation Report"	the valuation report dated 3 February 2026 in respect of the appraised value of the machinery and equipment, structures, electronic equipment and software held by the Debtor Company as at 31 December 2025 issued by the Valuer
"Business Day(s)"	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"Board"	the board of Directors
"Company"	Huazhang Technology Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1673)
"Conditions Precedent"	the conditions precedent of the Restructuring Agreement as set out in the section headed "Restructuring Agreement — Conditions Precedent" in the "Letter of the Board" in this circular
"Creditor's Rights Acquisition"	the acquisition of the creditor's rights of a secured loan owed by the Debtor Company to an Independent Third Party with recognised debts claim value amounting to approximately RMB38,320,000, as announced by the Company on 17 December 2025
"Debtor Company"	Baoshan Xingshengtai Paper Co., Ltd.* (保山鑫盛泰紙業有限公司), a company established in the PRC with limited liability
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Restructuring Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Debtor Company after the Equity Transfer Completion

"Equity Transfer Completion"	completion of the transfer of the entire equity interest in the Debtor Company to Zhejiang Huazhang (including the registration of Zhejiang Huazhang as the holder of the entire equity interest in the Debtor Company)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huazhang Taizhou"	Huazhang Holdings (Taizhou) Company Limited* (華章控股(台州)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"HZ Restructuring Proposal"	the restructuring investment proposal submitted by Zhejiang Huazhang to the Administrator as an application to participate as the investor in the bankruptcy restructuring proceedings of the Debtor Company
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
"Investment Amount"	the total investment amount of approximately RMB95,693,842.33 payable by Zhejiang Huazhang under the Restructuring Agreement which will be subject to the final approval of the Longyang Court
"Jintaisheng"	Baoshan Jintaisheng Logistics Limited* (保山金泰盛物流有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Latest Practicable Date"	3 February 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longyang Court"	the People's Court of Longyang District, Baoshan City (保山市隆陽區人民法院)
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)

"PRC Legal Advisers"	Beijing Deheng (Kunming) Law Firm (北京德恒(昆明)律師事務所), the Company's PRC legal advisers who provides general legal services relating to the bankruptcy restructuring proceedings
"Property Valuation Report"	the valuation report dated 3 February 2026 in respect of the appraised value of the property interests of the Debtor Company as at 31 December 2025 issued by the Valuer
"Reporting Accountants"	KTC Partners CPA Limited, the reporting accountants of the Company
"Restructuring Agreement"	the restructuring investment agreement (重整投資協議) dated 28 July 2025 entered into between the Administrator, Zhejiang Huazhang and the Debtor Company in respect of Zhejiang Huazhang's participation in the bankruptcy restructuring proceedings of the Debtor Company
"Restructuring Plan"	the proposed restructuring plan (重整計劃草案) setting out the details on the application of the investment money to be injected by Zhejiang Huazhang for the restructuring of the Debtor Company's debt and the operational turnaround strategies; the plan was prepared by the Administrator based on the HZ Restructuring Proposal and will be submitted to the Longyang Court for approval
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	the ordinary share(s) with par value of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the bankruptcy restructuring of the Debtor Company leading to the acquisition of the Debtor Company by Zhejiang Huazhang
"Valuer"	Vincorn Consulting and Appraisal Limited, the independent property valuer engaged by the Company to conduct valuation on the property interests and fixed assets of the Debtor Company
"Zhejiang Huazhang"	Zhejiang Huazhang Technology Limited* (浙江華章科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent.

* *For identification purposes only*

HUAZHANG TECHNOLOGY HOLDING LIMITED
華章科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1673)

Executive Directors:
Mr. Fang Hui
Mr. Chen Hongwei
Mr. Cai Haifeng

Independent Non-executive Directors:
Mr. Heng, Keith Kai Neng
Mr. Yao Yang Yang
Ms. Zhang Dong Fang

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Principal place of business in Hong Kong:
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5 Canton Road
Tsim Sha Tsui
Hong Kong

3 February 2026

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

PARTICIPATION IN BANKRUPTCY RESTRUCTURING PROCEEDINGS LEADING TO THE ACQUISITION OF THE DEBTOR COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 28 July 2025 and 2 February 2026 in relation to the Restructuring Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Restructuring Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) accountants' report of the Debtor Company; (iv) the unaudited

pro forma financial information of the Enlarged Group; (v) management discussion and analysis of the Debtor Company; (vi) the Property Valuation Report; (vii) the Asset Valuation Report; and (viii) a notice of EGM.

The Debtor Company is currently undergoing bankruptcy restructuring pursuant to the bankruptcy laws of the PRC and under the supervision of the Longyang Court. The Longyang Court appointed the Administrator to be the administrator of the bankruptcy restructuring of the Debtor Company. Zhejiang Huazhang, being one of the creditors of the Debtor Company, submitted an application to participate as the investor in the bankruptcy restructuring proceedings. After reviewing the HZ Restructuring Proposal submitted by Zhejiang Huazhang together with other applications, the Administrator selected Zhejiang Huazhang. On 28 July 2025, the Administrator, Zhejiang Huazhang as the selected restructuring investor and the Debtor Company entered into the Restructuring Agreement.

RESTRUCTURING AGREEMENT

Date : 28 July 2025

Parties : (a) the Administrator

(b) Zhejiang Huazhang (as a restructuring investor)

(c) Debtor Company (as a debtor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of the Administrator and the Debtor Company and their respective ultimate beneficial owners was an Independent Third Party.

Investment Amount

Zhejiang Huazhang has agreed to invest a total sum of approximately RMB95,693,842.33 into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan.

The said sum of approximately RMB95,693,842.33 was determined by the Administrator and is subject to the final approval of the Longyang Court. To the best of the Directors' knowledge and information, the Investment Amount was determined with reference to (i) the amount of employee claims, (ii) the amount of outstanding tax due to the PRC tax authorities, (iii) the outstanding debts due to the creditors of the Debtor Company (both secured and unsecured); and (iv) the assets and liabilities of the Debtor Company as shown in the special audit report dated 15 May 2024. The Investment Amount will be funded by internal resources of the Group and/or bank borrowings.

Upon satisfaction of all the Conditions Precedent, Zhejiang Huazhang will settle the Investment Amount in the following manner:

(1) the application fee of RMB10,000,000 paid by Zhejiang Huazhang and the performance pledge deposit of RMB40,000,000 previously paid by Zhejiang Huazhang to the Administrator will be fully applied to partially satisfy the payment of the Investment Amount; and

(2) Zhejiang Huazhang will have an option to settle the remaining balance of the Investment Amount (i.e., RMB45,693,842.33) either (i) by paying the said balance to the Administrator within 30 days from the date on which all the Conditions Precedent have been satisfied; or (ii) by obtaining written confirmations from all such creditors with an aggregate outstanding discounted debts of not less than RMB45,693,842.33 confirming their agreement and undertaking to waive their debts or defer any demand for repayment of their debts. Upon the Administrator's receipt of the said written confirmations, Zhejiang Huazhang will be deemed to have fulfilled its obligations to pay the remaining balance of the Investment Amount.

As the verification of the outstanding debts owed by the Debtor Company to its creditors remains ongoing, the Investment Amount may be subject to adjustments. The Investment Amount is also subject to the final approval of the Longyang Court. The total amount to be invested by the Group may therefore exceed RMB95,693,842.33, but it will be capped at and will not exceed RMB112,000,000. For further information on the total investment amount payable by the Group, please refer to the section headed "Bankruptcy Restructuring under PRC laws — Claims and assert rights after the Restructuring Plan is approved by the Longyang Court — Possible increase in Investment Amount" below.

As advised by the Administrator, as at 10 December 2025, the total amount of claims recognised and verified by the Administrator was approximately RMB427,527,965, and the Investment Amount for settling such claims based on the repayment schedule set out in the Restructuring Plan was approximately RMB97,700,544.

Conditions Precedent

The debt restructuring of the Debtor Company and the related transactions under the Restructuring Agreement are subject to the satisfaction of the following conditions:

(a) the Company having obtained the approval of its shareholders on the Restructuring Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and the approvals from the Stock Exchange or (if necessary) from the Hong Kong Securities and Futures Commission; and

(b) the Administrator having obtained the approval on the Restructuring Plan from the Longyang Court.

If Condition Precedent (a) above is not satisfied, the transactions contemplated thereunder the Restructuring Agreement will not proceed, the application fee of RMB10,000,000 will be forfeited by the Administrator and the performance pledge deposit of RMB40,000,000 will be refunded to Zhejiang Huazhang without interest. If Condition Precedent (b) above is not satisfied, the application fee and the performance pledge deposit in the total sum of RMB50,000,000 will be refunded to Zhejiang Huazhang without interest.

As at the Latest Practicable Date, none of the Conditions Precedents had been satisfied.

Transfer of equity interest in the Debtor Company

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement. After the Equity Transfer Completion, the Debtor Company will become a wholly-owned subsidiary of the Company.

Application of the Investment Amount and repayment schedule

The Investment Amount will be subject to the final approval of the Longyang Court and is intended to be applied in the following manner:

(1) Repay 100% of the employee claims within 15 days after the satisfaction of all the Conditions Precedent.

(2) Repay 100% of the principal of the tax claims within 30 days after the Equity Transfer Completion; the penalties and interest accrued thereon will be repaid in accordance with the tiered repayment schedule.

(3) Repay 50% of the principal and interest of the secured preferential debts by two instalments, in full and final settlement of those secured preferential debts:

    (a) 80% of the repayment amount will be paid within 15 days after the Equity Transfer Completion; and

    (b) remaining 20% will be paid after the mortgage/pledge of the relevant collateral is released or the seizure is discharged.

(4) Repay the principal of unsecured debts (excluding accrued interest) pursuant to the following tiered repayment schedule, in full and final settlement of those unsecured debts:

    (a) 100% repayment for claims of RMB100,000 or less;

    (b) 15% repayment for claims exceeding RMB100,000 up to RMB250,000; and

    (c) 5% repayment for claims exceeding RMB250,000.

The above discounted unsecured debts will be settled in the following manner:

(i) any repayment amount of RMB250,000 or less will be paid in full within 30 days after the Equity Transfer Completion; and

(ii) any repayment amount exceeding RMB250,000 will be paid by two instalments:

— 50% will be paid within 45 days after the Equity Transfer Completion; and

— remaining 50% will be paid no later than 30 days before the completion of the Restructuring Plan.

(5) Settle all bankruptcy expenses actually incurred for the bankruptcy restructuring, including without limitation, the remuneration of the Administrator, within 30 days after satisfaction of all the Conditions Precedent.

Termination

The Restructuring Agreement has provided an exit mechanism for Zhejiang Huazhang. Pursuant to the Restructuring Agreement, if any third party asserts claims such as mortgage rights, pledge rights, retention of title, or right of recovery against the Debtor Company after 14 May 2025 which results in Zhejiang Huazhang incurring actual expenses exceeding RMB3,000,000; or any fine, defect in rights, or other issue that result in an increase in the Debtor Company's liabilities or an increase in the Investment Amount, where the amount of any single such claim does not meet the aforementioned standard but the aggregate amount reaches RMB7,000,000, Zhejiang Huazhang will have the right to unilaterally terminate the Restructuring Agreement.

INFORMATION ON THE DEBTOR COMPANY

The Debtor Company is a company established under the laws of the PRC in Baoshan City, Yunnan Province, the PRC on 22 October 2010 with a registered capital of RMB24,900,000 (fully paid-up). To the best of the Directors' knowledge, information and belief, the scope of business of the Debtor Company includes manufacture of paper products; wholesale and retail of machinery and equipment, and recycled materials (excluding hazardous chemicals); self-operated and agency-based import and export of various goods and technologies (except those prohibited or restricted by national laws or administrative regulations). The business operation of the Debtor Company has been suspended.

Previous transactions with the Debtor Company

The Group conducted business with the Debtor Company from 2015 to the financial year ended 30 June 2020. During this period, the Group procured and supplied equipment to the Debtor Company specifically for its new paper production line and provided supply chain services to the Debtor Company including procurement of goods and products specified by the Debtor Company. In 2020, due to Debtor Company's failure to settle the receivables owed to the Group, the Group initiated legal proceedings against the Debtor Company in the PRC. The Group obtained judgments against the Debtor Company, but the Debtor Company failed to comply with the court order. For further information regarding the said legal proceedings, please refer to the Company's announcement dated 24 February 2023.

As at the date of the Restructuring Agreement, the nature and amount of liabilities owed to the Group by the Debtor Company were as follows:

Group company	**Nature of the liabilities**	**Amount of the liabilities as at the date of the Restructuring Agreement**
Jintaisheng	Judgment debt as per the Hangzhou Intermediate People's court order granted in March 2020 (categorised as unsecured debt in the restructuring bankruptcy proceedings)	RMB101,356,456.34, being the principal plus RMB23,536,813.90, being the interest and penalty **Total: RMB124,893,270.24**
Zhejiang Huazhang	Judgment debt as per the Jiaxing Intermediate People's court order granted in April 2020 (categorised as unsecured debt in the restructuring bankruptcy proceedings)	RMB58,443,971.65, being the principal plus RMB8,360,014.26, being the interest and penalty **Total: RMB66,803,985.91**

Reference is also made to the announcement of the Company dated 17 December 2025 in respect of the Creditor's Rights Acquisition, whereupon the Group had, through Huazhang Taizhou, acquired the creditor's rights of a secured loan owed by the Debtor Company to an Independent Third Party with recognised debts claim value amounting to approximately RMB38,320,000, making the Group also a secured creditor of the Debtor Company.

Bankruptcy restructuring

On 6 April 2023, three Independent Third Parties petitioned for the bankruptcy restructuring of the Debtor Company for the reason that the assets of the Debtor Company were encumbered rendering it unable to continue operation or repay its debts as they fall due and the shareholders' equity was insufficient to cover its debts, showcasing difficulties in continuous business operation. On the same date, the Longyang Court ruled to accept the petition. On 5 June 2023, the Longyang Court issued a notice which stated that the Administrator was selected and appointed as the administrator of the Debtor Company's bankruptcy restructuring proceedings. For details of the bankruptcy restructuring of the Debtor Company, please refer to the section headed "Bankruptcy restructuring under PRC laws" below.

Financial information

The Administrator had engaged a firm of auditors in the PRC to conduct a special audit on the assets, claims and debts of the Debtor Company as at 6 April 2023, being the date on which the Longyang Court accepted the bankruptcy restructuring petition. According to the special audit report issued by the PRC auditors on 15 May 2024, as at 6 April 2023, the audited asset value of the Debtor Company was RMB202,623,162.00, and the audited liabilities of the Debtor Company was RMB621,928,455.97.

Valuation of assets

Based on the asset valuation report issued by a valuation firm in the PRC for the purpose of the bankruptcy restructuring, as at 31 March 2024, the value of the Debtor Company's assets was determined to be RMB260,299,300 pursuant to the cost method of valuation. The assets of the Debtor Company included (i) fixed assets, including buildings and structures and machinery and equipment; and (ii) intangible assets, including land use rights. Among these, the land, all buildings thereon and the machinery and equipment are encumbered by security interests (including mortgages and pledges); and the core production equipment are subject to financial leasing. It is expected that the mortgages and pledges will be released after the settlement of the secured debts pursuant to the Restructuring Plan.

The PRC valuation firm conducted an updated valuation of the assets of the Debtor Company in June 2025. According to the updated asset valuation report, the value of the Debtor Company's assets as at 30 June 2025 was determined to be RMB241,116,200 pursuant to the cost method of valuation.

The Company has engaged the Valuer to assess the market value of (a) the property interests of the Debtor Company, and (b) the machinery and equipment, structures, electronic equipment and software held by the Debtor Company, as at 31 December 2025. The Valuer has advised that the valuation was undertaken on the basis of "market value", which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" in accordance with International Valuation Standards published by the International Valuation Standards Council. According to the Property Valuation Report, the

appraised value of the property interests of the Debtor Company to be acquired by the Group was RMB70.6 million as at 31 December 2025. According to the Asset Valuation Report, the appraised value of the fixed assets of the Debtor Company was RMB144.0 million as at 31 December 2025. The Property Valuation Report and the Asset Valuation Report are included in this circular.

Disclaimer of opinion

The Reporting Accountants were engaged to report on the historical financial information of the Debtor Company for the years ended 31 December 2023, 2024 and 2025 respectively.

(a) The Reporting Accountants informed the Board that due to the limitation on the scope of audit, they expected to issue a disclaimer of opinion in its Accountants' Report on the historical financial information of the Debtor Company. The disclaimer will be based on (i) an inability to obtain sufficient appropriate audit evidence due to incomplete books and records, and (ii) a material uncertainty related to going concern basis. For details of the limitation on the scope of audit, please refer to the section headed "Basis for Disclaimer of Opinion" in Appendix II to this circular.

(b) Nonetheless, the Reporting Accountants also informed the Board that the disclaimer of opinion would not affect the pro forma financial information of the Enlarged Group, given that the substance of the current acquisition is an acquisition of all assets of the Debtor Company, with all the liabilities being discharged upon completion of the transaction which does not satisfy the conditions of a business combination in accordance with HKFRS 3.

(c) The Board has considered the risk of incomplete accounting records and nonetheless took the view that the risk has already been safely rectified and safeguarded by the relevant laws and court procedures of the PRC. It follows that, the Board considers and the Reporting Accountants concur, after the Equity Transfer Completion, despite the Reporting Accountants' disclaimer of opinion in the accountants' report on the historical financial information of the Debtor Company, the financial statements of the Enlarged Group will represent a true and fair view as a whole without qualification. Hence, the entering into of the Restructuring Agreement is beneficial to the Company and its shareholders as a whole.

BANKRUPTCY RESTRUCTURING UNDER PRC LAWS

In April 2023, upon application by several Independent Third Parties, the Longyang Court put the Debtor Company into bankruptcy restructuring pursuant to the PRC bankruptcy laws, a concept though not exactly identical but rather similar to a "scheme of arrangement" under Hong Kong laws. Bankruptcy restructuring is a court-supervised process that rehabilitates financially distressed but potentially viable enterprises by adjusting debts, equities and operations to avoid liquidation, thereby preserving businesses, safeguarding employment and maximising creditor recoveries.

Information on the Administrator

In June 2023, the Longyang Court appointed the Administrator to be the administrator of the bankruptcy restructuring of the Debtor Company. The Administrator is a company established under the laws of the PRC in Yunnan Province, the PRC on 2 April 2003 and is principally engaged in the provision of consultancy and agency services for corporate bankruptcy liquidation and corporate debt restructuring. It was stated in the Longyang Court's notice that the duties of the Administrator included taking over the debtor's assets, seals and books, documents and other materials; investigating and preparing a report on the state of the debtor's assets; making decisions on the debtor's internal management affairs; making decisions on the debtor's daily and other mandatory expenses; making decisions on the continuation or cessation of the debtor's business; managing and disposing of the debtor's assets; representing the debtor in legal proceedings; and performing any other duties as the court deems necessary.

Group's participation in the bankruptcy restructuring

As one of the creditors holding substantial unsecured debts of the Debtor Company, the Company had closely followed the progress of the bankruptcy restructuring of the Debtor Company. After due consideration, Zhejiang Huazhang submitted an application (including the HZ Restructuring Proposal) to participate as the investor in the bankruptcy restructuring proceedings. The Board considered that by participating in the Debtor Company's bankruptcy restructuring to assume control, the Company could leverage its previously written-off doubtful debts to convert its position from that of an unsecured creditor to that of a substantial asset owner.

The Group will invest an amount not exceeding RMB112,000,000 in the Debtor Company which will be used for the full and final settlement of debt claims in the total sum exceeding RMB427,527,965.

Prior to deciding to participate in the Debtor Company's bankruptcy restructuring, the Board has critically considered and compared the three potential scenarios where Zhejiang Huazhang being (a) an unsecured creditor in a liquidation situation, (2) an unsecured creditor in a bankruptcy restructuring situation where a third party was selected as the restructuring investor, and (b) the restructuring investor taking control of the assets of the Debtor Company, and concluded that assuming the role of restructuring investor would best safeguard the Group's interests and maximise the potential recovery of the previously written off account receivables owed by the Debtor Company.

Liquidation vs bankruptcy restructuring

For illustration and academic discussion purpose only, and based on the figures available to the Group around the time the Restructuring Agreement was signed, please see below the quantitative analysis of the abovementioned three potential scenarios and the amount which the Group may recover, using a broad brush approach (the "**Potential Recovery**").

Assumptions and premises

(a) all assets were valued at RMB241,116,200 (the "**Appraised Value**"), being the valuation provided by the PRC valuation firm engaged by the Administrator as at 30 June 2025;

(b) the debt claims recognised and verified by the Administrator amounted to RMB422,752,195.43, of which RMB135,712,307.94 were secured claims, RMB6,171,375.47 were tax claims, RMB170,605.43 were tax penalty and interests, and RMB542,334 were employee claims; under the PRC bankruptcy laws, these claims in the total amount of RMB142,596,622.84 (the "**Priority Claims**") must be settled in full before any distribution to unsecured creditors;

(c) the unsecured debts owed by the Debtor Company to the Group totalled at RMB191,697,256.15, accounted for approximately 68.42% (the "**HZ's Share**") of the Debtor Company's unsecured debts of RMB280,155,572.59; and

(d) the Creditor's Rights Acquisition at RMB17,991,000 is completed.

Scenario (1): Zhejiang Huazhang being an unsecured creditor in a bankruptcy liquidation situation, where assets of the Debtor Company are being sold at (i) 40% discount, and (ii) 50% discount, against the Appraised Value and without taking into account the liquidation expenses incurred during the prolonged liquidation process:

	Potential Recovery *Note*	
"Assets Value"	*RMB*	*Potential Recovery ratio*
Assets sold at 40% discount (i.e., RMB144,669,720)	1,418,522.69	0.74%
Assets sold at 50% discount (i.e., RMB120,558,100)	0.00	0.00%

Note: Potential Recovery = (Assets Value – Priority Claims) x HZ's Share

A generous discount rate has been applied for illustration purpose. In reality, if the Debtor Company were to undergo a bankruptcy liquidation which the Group would have no control, all the Debtor Company's licences and permits for business operation would expire rendering them worthless, and all its assets (including machinery and equipment) would likely be dismantled and sold at scrap value. Additionally, liquidation costs such as fees of the liquidator, auction fees, demolition costs, and taxes would be incurred during the liquidation process, thereby significantly reducing the amount that could be recovered by the Group. As shown in the above table, any disposal of assets over 40% discount against the Appraised Value would likely cause the Group to have zero recovery over its substantial account receivables totalled at RMB191,697,256.15.

Scenario (2): Zhejiang Huazhang being an unsecured creditor in a bankruptcy restructuring situation where a third party was selected by the Administrator as the restructuring investor, assuming its bankruptcy restructuring proposal is only slightly inferior than the HZ Restructuring Proposal, providing (i) 49% recovery to secured creditors, (being the possible highest value option forgone by the secured creditors), (ii) 100% recovery for employee, tax and other secured claims, (iii) the rest of the unsecured creditors to follow the same repayment schedule as set out in the HZ Restructuring Proposal.

	Potential Recovery	
	Jintaisheng, with a debt of RMB124,893,270.24	**Zhejiang Huazhang, with a debt of RMB66,803,985.91**
First RMB100,000 (100%)	100,000.00	100,000.00
RMB100,001 to RMB250,000 (15%)	22,500.00	22,500.00
Over 250,0000 (5%)	6,232,163.50	3,327,699.30
Total:	**6,354,663.50**	**3,450,199.30**
Total for the Group:	**RMB9,804,862.80**	

Potential Recovery ratio for unsecured claims = RMB9,804,862.80/ RMB191,697,256.15 x 100% = 5.11%

Scenario (2) is premised on the other restructuring investor's proposal could match with the HZ Restructuring Proposal and is only slightly worse off than the HZ Restructuring Proposal. It is possible that the other investor's proposal provided a much more frugal recovery ratio to all the creditors, thereby lowering the recovery ratio of the Group.

In view of the Creditor's Rights Acquisition, Huazhang Taizhou with a recognised debt of RMB38,320,000 will likely recover a sum similar to the amount it paid for acquiring the creditor's rights at the Debtor Company and should have no material bearing over the Potential Recovery ratio.

Scenario (3): The current transaction where Zhejiang Huazhang was selected by the Administrator as the restructuring investor. Based on the repayment schedule as set out in the HZ Restructuring Proposal and adopted in scenario (2), the Potential Recovery for the Group is RMB9,804,862.80. In this scenario (3), the investment amount to be invested by the Group and the assets of the Debtor Company to be obtained by the Group have also been considered. For illustration purpose and as a matter of prudence, the total investment amount to be invested by the Group into the Debtor Company is RMB112,000,000, i.e., the maximum investment amount payable by the Group. The Creditor's Rights Acquisition only served the purpose of replacing one of the secured creditors with Huazhang Taizhou, and has no bearing over the potential recovery of the other unsecured debt owed by the Debtor Company to the Group.

Court-approved investment amount	RMB112,000,000
Appraised Value of assets under control	RMB241,116,200
Asset value in excess	RMB129,116,200

Ratio of value in excess to remaining outstanding debts = RMB129,116,200/(RMB191,697,256.15 — RMB9,804,862.80) x 100% = 70.98%

Comparison

Scenario		**Potential Recovery** *(RMB)*
(1)	Assets sold at 40% discount	1,418,522.69 *Note*
	Assets sold at 50% discount	0.00 *Note*
(2)	Third party as investor	≤9,804,862.80
(3)	The Group as investor	9,804,862.80 + all assets and licences to operate

Through comparing the three scenarios, scenario (3) will likely provide the best outcome to the Company and its shareholders as a whole, with a *quasi*-recovery ratio of as high as 70.98%.

Note: Without taking into account the potential gain from the Creditor's Rights Acquisition of approximately RMB20,329,000.

Debtor Company's assets

The Company has sought advice from the PRC Legal Advisers who have confirmed that the legal ownership of all assets of the Debtor Company would belong to Zhejiang Huazhang upon the Longyang Court approving the transfer of the entire equity interest of the Debtor Company to Zhejiang Huazhang and completion of the Restructuring Plan following the Group's fulfilment of its obligations under the Restructuring Plan.

Accordingly, the Board believes that the taking possession of the assets of the Debtor Company will be in the best interests of the Company and the Shareholders as a whole, given the investment amount of approximately RMB95,693,842.33 (but not exceeding RMB112,000,000) would enable the Company to take control of the Debtor Company and all its assets valued at approximately RMB214,600,000 (based on the Property Valuation Report and the Asset Valuation Report), together with the readily available licenses to operate, including the license to obtain 0.3 million cubic metres of fresh water resources per annum from a nearby reservoir (取水許可證), the sewage discharge license (排污許可證) and the license to operate radio-active source device (輻射安全許可證), which from the perspective of the Board, are difficult to obtain and could form a strategic advantage for the Debtor Company in its regional production and business operations.

Claims or assert rights after the Restructuring Plan is approved by the Longyang Court

Possible increase in Investment Amount

Pursuant to the Restructuring Agreement, Zhejiang Huazhang has agreed to invest approximately RMB95,693,842.33 into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised and verified by the Administrator and approved by the Longyang Court. The Investment Amount is subject to the final approval of the Longyang Court. The total amount to be invested by the Group may therefore exceed RMB95,693,842.33; but it will be capped at and will not exceed RMB112,000,000. The outstanding debts include employees' claims, tax claims, secured preferential debt claims, unsecured debt claims, Administrator's fees and bankruptcy restructuring legal costs.

According to the special audit report on the assets, claims and debts of the Debtor Company issued by the PRC auditors engaged by the Administrator, as at 6 April 2023 (being the date on which the Longyang Court accepted the bankruptcy restructuring petition), the audited liabilities of the Debtor Company was RMB621,928,455.97.

Since its appointment, the Administrator has continued to review and verify the information on the debt claims provided by the creditors of the Debtor Company and submitted the verified information to the Longyang Court for approval. As at the date of the Restructuring Agreement, debt claims in a total amount of approximately RMB422,752,195 had been recognised and verified by the Administrator. As at the Latest Practicable Date, debt claims in a total amount of approximately RMB427,527,965 had been recognised and verified by the Administrator. However, it is noted that the verified and approved amount of debt claims is less than the audited liabilities shown in the special audit report issued by the PRC auditors. The PRC Legal Advisers have clarified that (i) there may be various reasons for the

discrepancy between the audited liabilities and the amount of debt claims proposed for settlement in the HZ Restructuring Proposal as in practice, the special audit reports are prepared based on the accounting records of the debtor, and issues such as claims exceeding the limitation period or accounting record errors would not be considered by the auditors preparing such special audit reports; and (ii) pursuant to relevant provisions of the PRC bankruptcy laws and judicial interpretations, only creditors and claims approved by the Longyang Court will be recognised. The schedule of claims (債權表), which has been reviewed by the Administrator and approved by the Longyang Court, has excluded unlawful claims, claims that exceeded the statute of limitations, or errors in the Debtor Company's accounting records. Consequently, the audited liabilities presented in the special audit report primarily serve as the basis for the Administrator's review of the Debtor Company's contingent liabilities. Only those claims approved by the Longyang Court will be recognised as valid against the Debtor Company.

As advised by the PRC Legal Advisers, based on practical experience and referencing the regulations of the Hebei Provincial High People's Court of the PRC, and adopting a relatively conservative or robust approach to protect genuine creditors (in the absence of extraordinary circumstances such as suspension or interruption of the statute of limitations), the expiry date of the statute of limitation period for claims is 18 August 2026 (i.e., three years from the deadline for creditors to submit claims). Furthermore, determining the limitation period's expiry date based on the above date could essentially rule out the possibility of a creditor enforcing any unknown or contingent liabilities.

However, for the purpose of obtaining the Shareholders' approval for the Investment Amount, the Company will assume all the liabilities (i.e., debt claims) shown in the special audit report issued on 15 May 2024 by the PRC auditors engaged by the Administrator could be verified by the Administrator and would be approved by the Longyang Court. On such basis, and applying the repayment schedule set out in the Restructuring Plan (i.e., "**hair-cut**"), the investment amount payable by the Group would be approximately RMB111,460,723.86.

To demonstrate that the risk of the unknown potential creditors are so remote that it is virtually non-existent, the executive Director and controlling shareholder of the Company, Mr. Fang Hui, has executed a guarantee in favour of the Company pursuant to which Mr. Fang Hui guarantees (a) the payment of any creditor's claim which the Company has to bear over RMB621,928,455.97 based on the repayment schedule (i.e., "**hair-cut**") in the Restructuring Agreement; and (b) the payment of any investment amount exceeding RMB112,000,000, during the period up to 30 August 2026. That is, the guarantee will cover (i) all claims exceeding RMB621,928,455.86 and submitted on or before 30 August 2026; and (ii) any investment amount over RMB112,000,000. This arrangement could basically eliminate the risk, if any, that there are unknown potential creditors that have been overlooked by the Administrator yet still make a claim against the Debtor Company during the period from the Longyang Court approves the Restructuring Plan up to the end of the statute of limitation period for claims and thereby increases the investment amount payable by the Group.

The Board considers that it is not uncommon for a controlling shareholder of a listed issuer to provide guarantee in transaction involving the listed issuer. Like most commercial transactions, whereupon the controlling shareholder is requested to provide a guarantee for certain obligations under the transaction contemplated, unless the guarantor is notorious or particularly shady, there is little or even no reason to doubt the outcome and enforceability of the guarantee itself. The Board believes that this is generally in line with many other transactions happening on daily basis, whether or not the parties involved are listed issuers or private entities. The Board understands that Mr. Fang Hui is providing the guarantee out of his goodwill to the Company and the other fellow Shareholders, and is willing to take on the remote risks of any unknown potential creditor or additional claim which the Administrator has missed or overlooked. The Board is of the view that with the guarantee in place, the investment amount payable by the Group is capped and thereby the Company's interest could be safeguarded. Furthermore, the Board (a) is of the view that Mr. Fang Hui as a sophisticated businessman is well aware of his obligations under the guarantee; and (b) has no concern for the financial credibility of Mr. Fang Hui, considering the guarantee covers a relatively short period of time and Mr. Fang Hui's 41.44% shareholding in the Company is both unencumbered and valued at approximately HK$132,280,000 (based on the closing price of HK$0.2 on the Latest Practicable Date).

Risk/probability

To the best of the Company's knowledge and belief, following the appointment of an insolvency administrator pursuant to the statutory procedures for bankruptcy restructuring in the PRC, the people's court and the insolvency administrator will issue notices to all potential creditors of the debtor to lodge their claims according to the relevant laws and procedures. This process, which includes making public announcements (公告) and a thorough investigation by the court-appointed insolvency administrator, aims to create a comprehensive schedule of claims (債權表) as a basis against which distributions are made. The people's court is required to make a public announcement upon accepting the bankruptcy case (which the Longyang Court did). The said announcement and the announcement for lodging claims published in newspapers, journals, or on court websites, serve to notify all potential creditors, especially unknown or unforeseen ones, that they must declare their claims within a specified timeframe. In particular, to the best of the Company's knowledge and belief, (i) in any PRC bankruptcy restructuring proceedings, the court-appointed administrator has a statutory duty to notify creditors and to convene creditors' meetings, and the creditors should submit proof of debt and confirm their claims with the administrator within the timeframe specified by the court; (ii) after receiving the creditors' proof of debt, the administrator would review the submitted information and compile a schedule of claims, and then submit the schedule of claims to the court for approval and recognition; (iii) where neither the debtor nor any creditor raise any objection to the claims recorded in the schedule of claims, and the administrator has verified the claims as declared, the court would issue a ruling to confirm the schedule of claims; and (iv) if the debtor or any creditor objects to the claims recorded in the schedule of claims, it may file a lawsuit with the court accepting the bankruptcy petition.

Regarding the bankruptcy restructuring of the Debtor Company:

(a) During the preparation stage of the bankruptcy restructuring of the Debtor Company, the Administrator had gone through the process of notifying the creditors, including convening creditors' proceedings, receiving their debt claim submissions, and verifying such submissions through requesting supporting documentation from the alleged creditors. Indeed, it was stated in the ruling issued by the Longyang Court on 20 September 2024 that after accepting the bankruptcy restructuring petition, the Longyang Court and the Administrator published a notice for creditors to declare claims (債權申報公告) on the National Enterprise Bankruptcy Information Disclosure Platform (全國企業破產重整案件信息網) informing all creditors of the Debtor Company to submit their claims to the Administrator by 18 August 2023, and served a notice to submit claims (申報債權通知書) to all the known creditors. After the creditors submitted their debt claims to the Administrator, the Administrator reviewed the claims and then submitted the review and confirmation status of the debt claims to the creditors' meetings for verification.

(b) Given that over two years have elapsed since the Longyang Court ruled on 6 April 2023 for the Debtor Company to undergo bankruptcy restructuring, a period during which the Administrator and the PRC auditors and valuation firms engaged by them had repeatedly verified the Debtor Company's liabilities based on its financial information, and conducted multi-faceted review and verification of all declared claims, and considering the due diligence performed by the Company through its professionals advisers, the Company considered the probability of significant debt omissions to be extremely low.

(c) After completion of verification pursuant to the statutory requirements and procedures, the Administrator confirmed a total liability claims of approximately RMB422 million (up to September 2024). Based on such debt position, and having regard to the nature of the liabilities, the likelihood of recovery of its own claims and its commercial interests, the Company prepared the HZ Restructuring Proposal and the parties signed the Restructuring Agreement on 28 July 2025.

(d) Following the signing of the Restructuring Agreement, the Administrator and its auditors have reviewed the Debtor Company's financials. It is believed that all known secured claims and priority claims with higher repayment ratios have been duly verified and confirmed. Logically speaking, following the public notice of creditor claims issued by the Longyang Court and the Administrator, it is highly improbable that any genuine secured creditor who has transacted with the Debtor Company would remain unaware of the Debtor Company's insolvency and the creditor claim notice. Such ignorance would also be inconsistent with normal commercial practice. Therefore, based on the foregoing circumstances, the Company considers that, in light of judicial practice and commercial norms, the likelihood of asserting substantial unsecured claims against the Debtor Company after the expiry of the limitation period following the approval of the Restructuring Plan by the Longyang Court is relatively low.

(e) The PRC Legal Advisers have confirmed that (1) based on past practice, and taking into account commercial practices, the authenticity of the debt, and the limitation period for bringing legal proceedings, after a court approves a restructuring plan, no significant unknown creditor of the Debtor Company is likely to emerge; (2) under the PRC bankruptcy laws, any creditor (secured or unsecured) who accepts the repayment schedule (i.e., "**hair-cut**") approved by the Longyang Court is precluded from pursuing any further claim against the Debtor Company for the shortfall, retaining only the entitlements provided under the repayment schedule; and (3) in judicial practice, it is relatively unlikely for a significant unknown creditor to emerge after the Restructuring Plan is approved by the Longyang Court. Furthermore, even if such creditor exists, its debts are required to be subject to the discount under the court-approved repayment schedule as the creditors of the same class.

Protecting/mitigating measures

The Board believes that, by adopting the protecting/mitigating measures above, it could basically eliminate the risk, if any, that there are unknown potential creditors overlooked by the Administrator yet still make a claim against the Debtor Company during the period from the Longyang Court approves the Restructuring Plan up to the end of the statute of limitation period.

(a) The Company will, in accordance with relevant accounting standards, make a provision or record a contingent liability of for any potential unsecured creditors' additional financial burden that the Debtor Company may incur after conversion under the court-approved Restructuring Plan. The Company expects that the relevant provision or contingent liability will fully cover any additional financial burden that potential unsecured creditors who have not filed claims may impose on the Group as a whole, and the consolidated accounts of the Company will remain to represent a true and fair view of the Group's financial position, which will be demonstrated in Appendix IV to this circular.

(b) The PRC Legal Advisers have advised that creditors' claims are not only subject to the provisions of the PRC bankruptcy laws but also to the statute of limitations under the Civil Code of the PRC, which stipulates that the statute of limitations for such claims is three years from the date the creditor knew or should have known of the infringement of their rights. The Longyang Court ruled to accept the petition for the bankruptcy restructuring of the Debtor Company on 6 April 2023, and the ruling was announced. Furthermore, the Administrator announced in the China News Daily on 8 August 2023 that all creditors of the Debtor Company should submit their claims to the Administrator by 18 August 2023.

(c) The executive Director and controlling shareholder of the Company, Mr. Fang Hui, has executed a guarantee in favour of the Company for (a) the payment of any creditor's claim which the Company has to bear over RMB621,928,455.97; and (b) the payment of any investment amount exceeding RMB112,000,000, for a period up to 30 August 2026.

(d) The Restructuring Agreement has provided an exit mechanism for the Group. Pursuant to the Restructuring Agreement, if any third party asserts claims such as mortgage rights, pledge rights, retention of title, or right of recovery against the Debtor Company after 14 May 2025 which results in Zhejiang Huazhang incurring actual expenses exceeding RMB3,000,000; or any fine, defect in rights, or other issue that result in an increase in the Debtor Company's liabilities or an increase in the investment amount, where the amount of any single such claim does not meet the aforementioned standard but the aggregate amount reaches RMB7,000,000, Zhejiang Huazhang will have the right to unilaterally terminate the Restructuring Agreement. The right to terminate will in effect be operative to safeguard the interests of the Group before the court approves the Restructuring Plan in a sense that during the period between the signing of the Restructuring Agreement and the Longyang Court approving the Restructuring Agreement, if it appears that there would be substantial increase in ''hidden liabilities'', the Group could simply exercise its termination right upon these liabilities hitting the RMB7,000,000 threshold. This terminational clause, however, will play a less important role in view of the guarantee has been executed by Mr. Fang Hui in favour of the Group.

In the unlikely event that there is substantial increase in the amount of liabilities of the Debtor Company and that the aforementioned protecting/mitigating measures fail to take effect, thereby significantly increasing the Investment Amount and the Transaction becomes a very substantial acquisition under the Listing Rules, the Board will sought to either terminate the Transaction or comply with the Listing Rules requirements for very substantial acquisitions (including seeking approval from the Shareholders for the Transaction).

REASONS FOR AND BENEFITS OF ENTERING INTO THE RESTRUCTURING AGREEMENT

The Group is principally engaged in the research and development, manufacture and sale of industrial products and environmental products, the provision of project contracting services and the provision of supporting services in the PRC. Zhejiang Huazhang, established in the PRC with limited liability, is the operating wholly-owned subsidiary of the Company and is principally engaged in the research and development, supply and sale of industrial automation systems and sludge treatment products and the provision of after-sales services in the PRC.

The Board has considered the following reasons: (1) given the Group's position as a creditor of the Debtor Company, based on the assessment of the Debtor Company's asset position, participation in bankruptcy restructuring proceedings leading to the acquisition of the Debtor Company would serve better to protect the Group's interests as opposed to having the Debtor Company's bankruptcy restructuring proceedings being under the control of other entities; (2) although the Debtor Company is unable to continue to its operation due to the encumbered assets and is incapable of repaying its debts as they fall due, and its assets are insufficient to fully settle all outstanding debts, the Debtor Company possesses quality production technology; it is expect that the Debtor Company has a high production value and asset realisation rate upon resumption of its operations, and is therefore considered to have restructuring value; (3) the participation as a restructuring investor would allow the Company to leverage on its existing doubtful debt claims in exchange for the valuable assets of the

Debtor Company, taking into account that virtually most of the external debts owed by the Debtor Company to other external parties will be eliminated; and (4) given that the Group and the Debtor Company operate in the same industry, and the recovery of claims by the Group faces significant challenges over several years, the Company believes that by actively participating in the bankruptcy restructuring proceedings of the Debtor Company and converting its existing debt claims into equity interests, it can not only substantially improve the recovery rate of its outstanding debts but also seize an opportunity for strategic industry consolidation and expansion.

Based on the reasons above, the Board considers that the entering into of the Restructuring Agreement can optimise the Group's return on assets, strengthen its market competitiveness, create synergies and facilitate organic growth and to increase the chance of bad debts recovery.

The Board also considers that the acquisition of assets and licences in the Debtor Company through the Restructuring Agreement offers the Group multiple commercial benefits, particularly in light of the Group's role as a leading provider of industrial automation systems and machinery for the paper-making industry. The Board considered that (a) the Debtor Company's prior underperformance stemmed primarily from poor management causing excessive debt burdens, and prolonged operational halts, rather than inherent asset deficiencies, and (b) the bankruptcy restructuring could provide an excellent opportunity for the Group to enter into the paper product production market in the southwestern region of the PRC.

The commercial rationale is primarily threefold: to leverage on the strategic location of the Debtor Company, to use it as a platform for the Group's latest technology implementation, and to pursue potential vertical integration of within the industry chain.

(a) Strategic locational and market advantages

The Debtor Company is situated in Baoshan City, southwestern Yunnan Province, a region with limited comparable production facilities. The Board considered that this results in low local market competition, reduced transportation costs for raw materials and distribution, and a natural locational edge in serving the underserved southwestern markets. The Debtor Company's proximity to regional demand centers minimises logistics expenses and development of regional sales channels.

(b) Turnaround potential through technological upgrades and operational improvements

As aforementioned, the Board considered that the Debtor Company's prior underperformance stemmed primarily from poor management. The Board therefore was of the view that the acquisition would also create an opportunity for the Group to integrate and implement its latest technological developments, such as permanent magnet motors, boot pressing systems, and upgraded sizing machines, whereupon the Group targets to reduce energy consumption, boost production capacity from the baseline, and hopefully elevate overall profitability. These intended enhancements align with the industry trends toward improved overall efficiency, where similar upgrades have demonstrably lowered costs and improved

margins in the paper sector, enhancing the potential of the Debtor Company's business. Normalising operations could also validate and enhance the value of the Debtor Company's assets, enabling the Group to recover previous losses more effectively.

(c) Vertical integration and synergy effects in the southwestern region

The Group was the machinery and service provider of the Debtor Company in its paper-making automation and in fact operated upstream in the value chain, while the Debtor Company represented the local downstream manufacturing entity with readily available local operation licenses. In addition, the Group has once operated supply chain service business via Jintaisheng, with the Debtor Company being its major customer, and had involvement at both procurement end and delivery end of the Debtor Company's operation. The acquisition of the Debtor Company's assets and to resume its operation facilitates the vertical integration of the value chain in the southwestern region, allowing the Group to:

— secure a captive market for the Group's machinery, services, spare parts as well as supply chain management, thereby reducing dependency on external clients, broadening and stabilising revenue streams, thereby recreating an internal demand and revitalising the business previously operated by Jintaisheng;

— create operational synergies by using the Debtor Company as a live testing ground for research and development innovations, accelerating technology deployment and demonstrating product efficacy to other industry players; and

— in the long run drive cost efficiencies across the integrated chain, such as lower variable production costs and reduced waste, which are common outcomes in vertically integrated paper product production operations, and improving quality oversight from equipment design to final output.

Accordingly, with the acquisition of the Debtor Company's assets and licences, the operation of Jintaisheng and the Debtor Company could in effect be integrated and elevate from a pure supply chain service business plus manufacturing entity into a self-controlled value creation consortium for paper production, which is expected to generate steady cash flow for the Enlarged Group upon the resumption of operation of the manufacturing facilities.

In summary, the Board considered the acquisition extends beyond mere asset acquisition as it represents a strategic move to integrate upstream and downstream operations in the southwestern region of the PRC, leveraging the Group's technological prowess to revitalise a high-potential asset in a low-competition region. The Board is of the view that in a long run, the acquisition of the Debtor Company could assist the Group to enhance overall profitability, foster innovation, and deliver sustainable shareholder value through improved efficiency and market synergies and is in the interest of the Group and the shareholders as a whole.

The Company intends to resume the business operation of the Debtor Company as soon as practicable. The Company believes that it could provide further technical upgrades to reduce energy consumption, increase production capacity, and achieve the targets of reducing costs, increasing efficiency, and improving profit margins.

Having considered all the above, the Directors are of the view that the terms of the Restructuring Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTION

After the Equity Transfer Completion, the Debtor Company will become a wholly owned subsidiary of the Company.

Assets and liabilities of the Enlarged Group

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular (as if the transaction had been completed on 30 June 2025), (i) the consolidated total assets of the Group would have increased from approximately RMB960.5 million to approximately RMB972.8 million on a pro forma basis; (ii) the consolidated total liabilities of the Group would have increased from approximately RMB545.0 million to approximately RMB559.3 million on a pro forma basis; and (iii) the consolidated net assets of the Group would decrease by approximately RMB2.1 million from approximately RMB415.6 million to approximately RMB413.5 million.

Further details of the financial effect of the Transaction on the assets and liabilities of the Enlarged Group together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

Earnings

The Company does not expect that the Equity Transfer Completion would have a significant effect on the earnings of the Group. The Transaction is accounted for as an acquisition of assets, that do not meet the definition of business as prescribed in Hong Kong Financial Reporting Standard 3 *Business Combinations* as issued by the Hong Kong Institute of Certified Public Accountants.

Further details of the financial effect of the Transactions on the assets and liabilities of the Enlarged Group together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

SHAREHOLDERS' APPROVAL FOR THE INVESTMENT AMOUNT

Following the execution of the Restructuring Agreement, the Reporting Accountants discussed about the potential increase in the total investment amount payable by the Company under the Restructuring Agreement. Based on the discussion, the Company intends to make a provision of RMB16,306,000 for potential additional successful claims against the Debtor Company. This amount is intended to cover the difference between the audited liabilities of RMB621,928,455.97 as at 6 April 2023 (as stated in the special audit report) and the final debt amount to be adjudicated by the Longyang Court. Any additional debt will be subject to the same hair-cut applied to all unsecured debts of the Debtor Company under the HZ Restructuring Proposal. Considering the possible additional investment amount of approximately RMB16,306,000 (on top of RMB95,693,842.33 as stated in the Transaction

Announcement) payable by the Company, the Investment Amount will be increased to a sum of not more than RMB112,000,000. The Company will be seeking a mandate to invest in the Debtor Company not more than RMB112,000,000 instead of RMB95,693,842.33 at the EGM.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Restructuring Agreement is more than 25% but less than 100%, the entering into of the Restructuring Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The voting at the EGM will be taken by poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the Listing Rules as soon as possible after the EGM.

To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the Latest Practicable Date, (i) no Shareholder had any material interest in the Restructuring Agreement and the transactions contemplated thereunder and was required to abstain from voting at the EGM on resolutions for approving the Restructuring Agreement and the transactions contemplated thereunder; (ii) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (iii) there was no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her Shares to a third party, either generally or on a case-by-case basis.

A notice convening the EGM to be held at the principal place of business of the Company at Suite 901, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Hong Kong on Friday, 27 February 2026 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.hzeg.com). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the Restructuring Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the proposed resolutions to approve and ratify the Restructuring Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

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.

Yours faithfully,
For and on behalf of the Board
HUAZHANG TECHNOLOGY HOLDING LIMITED
Fang Hui
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial statements of the Group for each of the three financial years ended 30 June 2023, 2024 and 2025 were set out in the relevant annual reports posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hzeg.com) respectively. Please see below quick links to the relevant annual reports:

- annual report of the Company for the year ended 30 June 2023 (pages 92 to 196) — https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1030/2023103001038.pdf;
- annual report of the Company for the year ended 30 June 2024 (pages 86 to 184) — https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1028/2024102800261.pdf; and
- annual report of the Company for the year ended 30 June 2025 (pages 85 to 188) — https://www1.hkexnews.hk/listedco/listconews/sehk/2025/1027/2025102700433.pdf.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2025, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

(i) bank loans and overdrafts of the Group of approximately RMB91.0 million secured by property, plant and equipment and prepaid land lease payments of the Group; and

(ii) lease liabilities of RMB2.3 million which were secured by rental deposits and unguaranteed.

The aggregate of approximately RMB93.3 million of the bank loans and other borrowings of the Group as at 31 December 2025, as mentioned in (i) above, was not guaranteed by the Company.

Save as aforesaid and apart from normal accruals and payables in the ordinary course of business, the Group, apart from intra-group liabilities, did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 31 December 2025.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the present financial resources available to the Enlarged Group, including internally generated revenue and funds, available banking facilities and the effects of the Transaction, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 30 June 2025 (being the date to which the latest published audited financial statements of the Group were made up).

5. BUSINESS AND FINANCIAL PROSPECTS OF THE GROUP

The Group is principally engaged in the research and development, manufacture and sale of industrial automation systems, sludge treatment products and related services. In addition, the Group is also engaged in the provision of after-sales and other services to the Group's existing customers. The Group has over 20 years of experience in the provision of equipment to the paper industry and will seek to further expand this business segment.

With the implementation of policies to stabilise growth, expand domestic demand, and promote consumption, demand for domestic downstream industries has picked up, and the recovery in consumption has driven up the market demand for printing and writing paper, household paper, packaging paper and other products. It is expected that the domestic paper products market will gradually shift from the off-season to the peak season, and demand from end-users may turn from weak to strong. However, as uncertainty in the global economy still exists, consumer confidence has yet to fully recover. Secondly, factors such as zero tariffs on imported paper and geopolitics still exist. Finally, with the tightening of environmental protection policies and the requirements for sustainable development, the paper making industry will face new challenges.

The paper making equipment market has broad market prospects and development potential. In the future, driven by factors such as the improvement of environmental awareness, the improvement of automation and intelligence levels, and the expansion of regional markets, the paper making equipment industry will usher in broader development opportunities.

In order to promote the high-quality development of the paper making industry, the Group will adhere to consistent quality and services and continue to deepen its transformation and upgrading strategy. The Group will consider first from the customer's perspective and proactively provide customers with cost-effective solutions, continue to establish strategic partnerships with leading domestic and foreign suppliers, and integrate more high-quality products, including high-speed paper-cutting machines, onto the Huazhang platform, allowing customers to choose freely. The Group will also continue to optimise the Company's management system, implement lean management, strengthen core competitiveness, improve service quality, and never cease to pursue progress. We will closely follow the guidance of national policies and continue to explore new business opportunities in the field of environmental protection to increase the Group's profits. Through these measures, we expect to maintain a leading position in the industry and achieve sustainable development.

Other than the reasons as detailed in the section headed ''Reasons for and benefits of entering into the Restructuring Agreement'' in the ''Letter from the Board'' in this circular, the Transaction represents a good opportunity for the Group to improve its customer and product structure. Following the Equity Transfer Completion and the completion of the bankruptcy restructuring of the Debtor Company, it is expected that the comprehensive competitiveness of the Enlarged Group will be further strengthened, and thereby generating additional revenue and profits for the Group, and ensure the long-term sustainable development of the Group.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAZHANG TECHNOLOGY HOLDING LIMITED

Introduction

We were engaged to report on the historical financial information of Baoshan Xingshengtai Paper Co., Ltd (the "**Debtor Company**") set out on pages II-11 to II-44, which comprises the statements of financial position of the Debtor Company as at 31 December 2023, 2024 and 2025 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Debtor Company for each of the three years ended 31 December 2023, 2024 and 2025 (the "**Relevant Periods**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-11 to II-44 forms an integral part of this report, which has been prepared for inclusion in the circular of Huazhang Technology Holding Limited (the "**Company**") dated 3 February 2026 (the "**Circular**") in connection with the acquisition of the entire equity interest in the Debtor Company (the "**Acquisition**").

Administrators' Responsibility for the Historical Financial Information

The administrators' of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the administrators' determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to conduct our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and to report to you. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Historical Financial Information.

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Disclaimer of Opinion on the Historical Financial Information

We do not express an opinion on the Historical Financial Information. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Historical Financial Information.

Basis for Disclaimer of Opinion

(a) Limitation of scope — No access to books and records of Debtor Company

As disclosed in note 1 to the Historical Financial Information, certain parties had petitioned for the bankruptcy restructuring of the Debtor Company on 6 April 2023. The petition was filed with the People's Republic of China Court of Longyang District on the grounds that the Debtor Company was unable to repay its debts as they fell due. This was due to its assets being substantially encumbered and its shareholders' equity being insufficient to cover its liabilities, demonstrating significant doubt about its ability to continue as a going concern. The Longyang Court (the "**Court**") ruled to accept the petition on the same date.

Subsequently, on 5 June 2023, the Court issued a notice appointing Yunnan Hengjia Assets Liquidation Co., Ltd. as the administrator (the "**Administrator**") for the bankruptcy restructuring proceedings of the Debtor Company.

The Administrator informed us that subsequent to its appointment, they discovered that no accounting books and records of the Debtor Company were available, except for the management account of the Debtor Company for the year ended 31 December 2023, and all previous management and accounting personnel of the Debtor Company had been terminated or had resigned. Consequently, no books and records of the Debtor Company was made available to us for the purpose of our audits.

The absence of the Debtor Company's books and records and lack of access to management and accounting personnel of the Debtor Company due to their resignations constitute a limitation on the scope of our audits. Consequently, we were unable to perform sufficient appropriate audit procedures regarding the Historical Financial Information, both at the overall financial statements level and for the specific items as detailed below.

1. Lease of property, plant and equipment and investment properties

HKFRS 16 requires a lessor to classify each lease as either an operating lease or a finance lease. We were informed by the Administrator that the Debtor Company, as a lessor, had entered into a 20-year lease agreement with a related party on 15 November 2019 for its property, plant, and equipment and investment properties. Given that the lease term represented a significant portion of the leased assets' useful lives, this indicates that the lease might be a finance lease, which would be the case if it transferred substantially all the risks and rewards incidental to ownership of the assets to the related party.

However, the Debtor Company classified and accounted for the lease as an operating lease and continued to recognise the leased assets as property, plant, and equipment and investment properties during the Relevant Periods and recognised the rental income from the lease in accordance with the accounting policy for operating lease.

Due to a lack of access to any supporting document in relation to the lease arrangement and the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence concerning the operating lease classification. Any adjustments found necessary might affect the carrying amounts of the property, plant, and equipment and investment properties of the Debtor Company as at 1 January 2023, 31 December 2023, 2024 and 2025, and the related depreciation charges, impairment loss and rental income recognised during the Relevant Periods.

2. Property, plant and equipment

HKAS 16 requires that property, plant, and equipment ("**PPE**") should be initially recognised at cost and subsequently carried at cost less any accumulated depreciation and impairment losses.

In addition to the scope limitation described in paragraph 1 above regarding the lease classification of the property, plant and equipment, due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence about the cost, amount of accumulated depreciation and the net carrying amount of property, plant and equipment as at 1 January 2023, 31 December 2023, 2024 and 2025 and the depreciation charges recognised on property, plant and equipment for the Relevant Periods.

Furthermore, the Administrator informed us that the Debtor Company ceased its production activities in 2019 and subsequently leased all its investment properties and property, plant, and equipment to a related party. The Debtor Company reported losses of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. These were indications that the property, plant and equipment of the Debtor Company might be impaired as at 31 December 2023, 2024 and 2025, thus necessitating impairment tests to estimate the recoverable amounts of these assets as at these dates to be carried out.

However, we have not been provided with any documentation in relation to any impairment testing of the PPE, including the assessment of the value-in-use or fair value less costs of disposal of the PPE. This constitutes a departure from the requirements of HKAS 36.

In view of the above matters, we were unable to perform sufficient appropriate audit procedures to determine whether the carrying amounts of the PPE were recoverable and whether they were materially misstated as of 31 December 2023, 2024 and 2025, whether depreciation charges recognised in profit or loss in the Relevant Periods were materially misstated and whether any impairment losses or reversals thereof should have been recognised in the Relevant Periods.

3. Investment properties

The investment properties of the Debtor Company are accounted for using the cost model. Under HKAS 40, investment properties measured using the cost model are required to be carried at depreciated cost, less any accumulated impairment losses after initial recognition. Furthermore, HKAS 40 requires the Debtor Company applying the cost model to disclose the fair value of its investment property.

In addition to the scope limitation described in paragraph 1 above regarding the lease classification of the investment property, due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence about the cost, amount of accumulated depreciation and net carrying amount of investment properties under the cost model as at 31 December 2023, 2024 and 2025 and the related depreciation charges recognised on the investment properties for the Relevant Periods in accordance with HKAS 40 *Investment Property*.

In addition, no supporting document was provided to us to satisfy us regarding the accuracy of cost of the leasehold land reported in the statement of financial position and, if any, costs related to the buildings situated on the leasehold land that should have been classified and recognised as investment properties in accordance with HKAS 40 during the Relevant Periods.

Furthermore, the Debtor Company ceased its production activities in 2019 and subsequently leased all its investment properties and PPE to a related party. The Debtor Company reported losses of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. These were indications that the investment properties of the Debtor Company might be impaired as at 31 December 2023, 2024 and 2025, thus necessitating impairment tests to estimate the recoverable amounts of these assets as at these dates to be carried out.

However, we have not been provided with the documentation in relation to any impairment testing of the investment properties, including the assessment of the value-in-use or fair value less costs of disposal of the investment properties. This constitutes a departure from the requirements of HKAS 36 and HKAS 40.

In view of the above matters, we were unable to perform sufficient appropriate audit procedures to determine whether the carrying amounts of the investment properties were recoverable and whether they were materially misstated as of 31 December 2023, 2024 and 2025, whether depreciation charges recognised in profit or loss in the years ended 31 December 2023, 2024 and 2025 were materially misstated and whether any impairment losses or reversals thereof should have been recognised in the Relevant Periods.

Moreover, the Debtor Company has not determined or disclosed the fair value of its investment properties as at 31 December 2023, 2024 and 2025. This is a departure from the requirements of HKAS 40, which requires that the fair value of investments properties should be determined and disclosed when the cost model of investment properties is used.

4. Lease and other receivables

Due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence in respect of the gross carrying amounts of accuracy of the lease and other receivables of the Debtor Company of RMB25,601,340, RMB33,601,340 and RMB36,556,895, as at 31 December 2023, 2024 and 2025, respectively, and the provision for impairment of lease and other receivables of RMB8,000,000, RMB8,000,000 and RMB2,955,555 recognised in the statement of profit or loss for the years ended 31 December 2023, 2024 and 2025 respectively, in accordance with HKFRS 9 *Financial Instruments*.

5. Bank confirmations

According to the Administrator, the management of the Debtor Company, including the director/legal representative authorised as bank signatures, had left the Debtor Company. Consequently, we were unable to obtain the necessary authorised signatures from management of the Debtor Company to dispatch the bank confirmation requests.

Due to the lack of books and records of the Debtor Company, we were unable to perform any alternative audit procedures about the existence, accuracy, and valuation of the bank balances; the completeness of liabilities owed to the bank; and the completeness of any charges over the Debtor Company's assets during the Relevant Periods.

We were also unable to satisfy ourselves about the completeness of financial guarantees granted by the Debtor Company to any parties or whether the related expected credit losses in respect of such financial guarantees that should have been recognised during the Relevant Periods were free from material misstatements, as required by HKFRS 9 *Financial Instruments*.

Furthermore, we were also unable to determine whether any provision is required for any pledge of the Debtor Company's assets, as required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

6. Trade and other payables

Due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence in respect of the accuracy and completeness of trade and other payables of the Debtor Company with carrying amounts of RMB528,394,440, RMB529,586,045 and RMB529,951,648, as at 31 December 2023, 2024 and 2025, respectively in accordance with HKFRS 9 *Financial Instruments*.

7. Contract liabilities

As at 31 December 2023, 2024 and 2025, included in the statement of financial position are amounts of RMB7,307,211, RMB7,307,211 and RMB7,307,211, respectively recognised as contract liabilities for amounts received in advance for future sales or services. Due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain sufficient audit evidence in respect of the accuracy and completeness of the contract liabilities of the Debtor Company as at the end of each reporting period and the related disclosures as required by HKFRS 15.

8. Other taxes payable

Included in trade and other payables are other taxes payable of RMB6,793,742, RMB7,985,347 and RMB8,350,950 as at 31 December 2023, 2024 and 2025, respectively for which no payment had been made during the Relevant Periods and up to the date of this report.

Up to the date of this report, the Debtor Company is subject to late penalty charges and/or additional surcharges for unpaid taxes. No provision has been made in the Historical Financial Information in respect of any late penalty or surcharge that may be imposed by the relevant local tax authorities.

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the provision for other taxes and the late penalty or surcharges that should be recorded by the Debtor Company for the Relevant Periods.

9. Profit or loss items

During the Relevant Periods, the Debtor Company recognised revenue, other income, net impairment losses on financial assets, provision for claims, administrative expenses and finance costs, net in the statement of profit or loss.

Due to the lack of access to the books and records of the Debtor Company, we were unable to perform sufficient appropriate audit procedures and obtain sufficient and appropriate audit evidence about the classification, occurrence, completeness, accuracy and cut off of the income and expense items recognised for the Relevant Periods and therefore to satisfy ourselves as to whether the income and expense items were free from material misstatements.

10. Employee benefit expenses

During the year ended 31 December 2023, the Debtor Company recognised staff costs of RMB615,727 for which no documentation or evidence was provided to us concerning the staff costs incurred and whether any contributions have been made to the defined contribution retirement benefit plans required by the PRC government. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the staff costs recognised were in compliance with HKAS 19 *Employee Benefits* and whether any provisions in respect of defined contribution benefit plans were required.

Furthermore, the Debtor Company is subject to late penalty charges and/or additional surcharges for unpaid defined contribution retirement benefits. However, no provision has been made in the Historical Financial Information in respect of any late penalty or surcharge that may be imposed by the relevant local authorities.

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the provision for other staff costs and if late penalty or surcharges that should be recorded by the Debtor Company for the Relevant Periods.

11. Finance costs and charges

The Debtor Company entered into a finance lease in December 2015 for a term of 3 years for the acquisition of certain plant and machinery. The Debtor Company has defaulted on the repayment of finance lease and recognised defaulted interest in the year ended 31 December 2023 of RMB2,039,040.

Due to the lack of access to the books and records of the Debtor Company, we were unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence about the completeness and accuracy of finance costs and charges which should have been recognised for the Relevant Periods.

12. Contingent liabilities and commitments

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Debtor Company were properly recorded and accounted for and disclosed in compliance with the requirements of applicable accounting standards, including HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and HKFRS 9 *Financial Instruments*.

There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments of the Debtor Company were free from material misstatements.

13. Opening balances and corresponding figures

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence about the carrying amounts of the assets and liabilities of the Debtor Company as at 31 December 2022 which formed the opening balances for the financial year ended 31 December 2023. Consequently, any adjustments to the 31 December 2022 figures that might have been found may have a consequential effect on the results, cash flows, and related disclosures for the year ended 31 December 2023.

There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances as of 1 January 2023 and hence, whether any adjustments to the loss, cash flows and related disclosures for the year ended 31 December 2023 were necessary.

14. Other disclosures in the Historical Financial Information

Due to the lack of access to the books and records of the Debtor Company, we were unable to perform sufficient appropriate audit procedures to obtain sufficient appropriate evidence to satisfy ourselves as to the accuracy and completeness of the disclosures as required by the following:

(a) HKAS 19 *Employee Benefits* for the staff costs and benefits as disclosed in note 13 to the Historical Financial Information;

(b) HKFRS 7 *Financial Instruments: Disclosure:* the quantitative and qualitative information of financial instruments required to enable users to evaluate the significance of financial instruments for the Debtor Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Debtor Company was exposed during the Relevant Periods and at the end of each reporting period, and how the Debtor Company managed those risks; and

(c) Related Party transactions and related party balances disclosure: The occurrence, accuracy, and completeness of key management personnel compensation, related party transactions during the Relevant Periods, and the existence and completeness of related party balances as at 31 December 2023, 2024 and 2025 as required by HKAS 24 *Related Party Disclosure.*

Any adjustments found to be necessary had we obtained sufficient appropriate audit evidence in respect of the matters described in points 1 to 14 would have had a significant consequential effect on the net liabilities of the Debtor Company as at 31 December 2023, 2024 and 2025, and of its loss, the elements making up the statement of changes in equity and cash flows for the Relevant Periods, and the related disclosures thereof in the Historical Financial Information.

(b) Limitation of scope — appropriateness of the going concern basis of preparing the Historical Financial Information

As disclosed in note 2.2 to the Historical Financial Information, the Debtor Company reported a loss of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. As at 31 December 2025, the Debtor Company's reported net current liabilities position was RMB630,972,492 and its lease liabilities of RMB64,789,397, together with accrued interest of RMB28,926,565, had been defaulted. Furthermore, as at the date of issuance of the Historical Financial Information, the Debtor Company is the process of adopting a Restructuring Plan.

These events and conditions set out above indicate the existence of material uncertainty which may cast significant doubt on the Debtor Company's ability to continue as a going concern.

Notwithstanding the foregoing, the Historical Financial Information of the Debtor Company has been prepared on a going concern basis, which assumes the successful completion of the proposed restructuring (the "**Restructuring Plan**") of the Debtor Company as disclosed in note 2.2, and that the Debtor Company will therefore be able to meet its financial obligations in full as they fall due in the foreseeable future. The Historical Financial Information for each of the reporting period do not include any adjustments arising from the liquidation of the Debtor Company.

The Restructuring Plan is dependent on a number of factors, including approval from the relevant parties and successful completion of the Acquisition. We have not been able to perform sufficient appropriate audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the Historical Financial Information because of the lack of sufficient appropriate audit evidence provided to us in relation to the measures for future actions being undertaken under the Restructuring Plan and the assumptions adopted by the Administrator in its going concern assessment which take into account the significant uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Debtor Company. Because of the significance of these matters, we were unable to form an opinion as to whether the use of going concern assumption in the preparation of Historical Financial Information is appropriate.

Should the Debtor Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts and to provide for further liabilities which might arise. The effects of these adjustments have not been reflected in these Historical Financial Information and we were unable to determine whether such adjustments might have been found necessary.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the underlying Financial Statements have been made.

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

Dividends

We refer to note 23 to the Historical Financial Information which states that no dividends have been paid by the Debtor Company in respect of the Relevant Periods.

No historical financial statements for the Debtor Company

As at the date of this report, no statutory financial statements have been prepared for the Debtor Company since its date of incorporation.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686
Hong Kong, 3 February 2026

Preparation of Historical Financial Information

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

KTC Partners CPA Limited were engaged to audit the underlying financial statements of the Debtor Company for the Relevant Periods, on which the Historical Financial Information is based.

The Historical Financial Information is presented in Renminbi Yuan ("**RMB**").

I HISTORICAL FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS

Year ended 31 December

	Notes	2023 RMB	2024 RMB	2025 RMB
Revenue	*8*	7,280,000	7,280,000	2,689,555
Impairment loss on lease receivables	*9*	(8,000,000)	(8,000,000)	(2,955,555)
Administrative expenses		(19,285,733)	(18,644,690)	(16,899,447)
Operating loss		(20,005,733)	(19,364,690)	(17,165,447)
Finance income		5	—	—
Finance cost		(2,039,040)	—	—
Finance costs, net	*10*	(2,039,035)	—	—
Loss before income tax	*11*	(22,044,768)	(19,364,690)	(17,165,447)
Income tax expense	*12*	—	—	—
Loss for the year		(22,044,768)	(19,364,690)	(17,165,447)
Attributable to owners of the parent		(22,044,768)	(19,364,690)	(17,165,447)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Loss for the year	(22,044,768)	(19,364,690)	(17,165,447)
Total comprehensive loss for the year	(22,044,768)	(19,364,690)	(17,165,447)
Total comprehensive loss for the year is attributable to:			
— owners of the parent	(22,044,768)	(19,364,690)	(17,165,447)

STATEMENTS OF FINANCIAL POSITION

As at 31 December

	Notes	2023 RMB	2024 RMB	2025 RMB
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	109,612,935	91,680,272	75,120,760
Investment properties	*15*	8,217,493	7,977,161	7,736,829
		117,830,428	99,657,433	82,857,589
Current assets				
Lease and other receivables	*16*	—	—	—
Bank balances and cash	*17*	2,419	2,329	2,329
		2,419	2,329	2,329
Total assets		117,832,847	99,659,762	82,859,918
LIABILITIES				
Current liabilities				
Trade and other payables	*18*	528,394,440	529,586,045	529,951,648
Contract liabilities	*19*	7,307,211	7,307,211	7,307,211
Lease liabilities	*20*	93,715,962	93,715,962	93,715,962
Total liabilities		629,417,613	630,609,218	630,974,821
Net current liabilities		(629,415,194)	(630,606,889)	(630,972,492)
Net liabilities		(511,584,766)	(530,949,456)	(548,114,903)
EQUITY				
Paid up capital	*21*	24,900,000	24,900,000	24,900,000
Capital reserve		1,001,000	1,001,000	1,001,000
Accumulated losses		(537,485,766)	(556,850,456)	(574,015,903)
Capital deficiency		(511,584,766)	(530,949,456)	(548,114,903)

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Paid up capital *RMB*	Capital reserve *RMB* *(note)*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2023	24,900,000	1,001,000	(515,440,998)	(489,539,998)
Loss and total comprehensive expense for the year	—	—	(22,044,768)	(22,044,768)
At 31 December 2023	24,900,000	1,001,000	(537,485,766)	(511,584,766)

Year ended 31 December 2024

	Paid up capital *RMB*	Capital reserve *RMB* *(note)*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2024	24,900,000	1,001,000	(537,485,766)	(511,584,766)
Loss and total comprehensive expense for the year	—	—	(19,364,690)	(19,364,690)
At 31 December 2024	24,900,000	1,001,000	(556,850,456)	(530,949,456)

Year ended 31 December 2025

	Paid up capital *RMB*	Capital reserve *RMB* *(note)*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2025	24,900,000	1,001,000	(556,850,456)	(530,949,456)
Loss and total comprehensive expense for the year	—	—	(17,165,447)	(17,165,447)
At 31 December 2025	24,900,000	1,001,000	(574,015,903)	(548,114,903)

Note: The capital reverse represents the contribution from the shareholder.

STATEMENTS OF CASH FLOWS

Year ended 31 December

	Notes	2023 RMB	2024 RMB	2025 RMB
Operating activities				
Loss before income tax		(22,044,768)	(19,364,690)	(17,165,447)
Adjustments for:				
Bank interest income	*10*	(5)	—	—
Finance cost	*10*	2,039,040	—	—
Impairment loss on lease receivables	*9*	8,000,000	8,000,000	2,955,555
Depreciation of property, plant and equipment	*14*	17,958,071	17,932,663	16,559,512
Depreciation of investment properties	*15*	240,332	240,332	240,332
Operating cash flows before changes in working capital		6,192,670	6,808,305	2,589,952
Decrease in lease and other receivables		(8,000,000)	(8,000,000)	(2,955,555)
Increase in trade and other payables		1,807,331	1,191,605	365,603
Net cash from/(used in) operating activities		1	(90)	—
Net cash from investing activity				
Interest received		5	—	—
Net increase/(decrease) in cash and cash equivalents		6	(90)	—
Cash and cash equivalents at beginning of the year		2,413	2,419	2,329
Cash and cash equivalents at the end of the year, represented by bank balances and cash	*17*	2,419	2,329	2,329

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Baoshan Xingshengtai Paper Co., Ltd (the "**Debtor Company**") is a private company established in the People's Republic of China (the "**PRC**") with limited liability on 22 October 2010. The registered office and principal place of business of the Debtor Company is Wayao Town, Longyang District, Baoshan City, Yunnan Province, the PRC.

During the Relevant Periods, the Debtor Company is principally engaged in the rental of its leasehold land and property, plant and equipment.

On 6 April 2023, three independent third parties petitioned for the bankruptcy restructuring of the Debtor Company for the reason that the assets consisting mainly of plant and machinery of the Debtor Company are encumbered rendering it unable to continue operation or repay its debts as they fall due and the shareholders' equity was insufficient to cover its debts, showcasing difficulties in continuous business operation. On the same date, the Longyang Court ruled to accept the petition. On 5 June 2023, the Longyang Court issued a notice which stated that Yunnan Hengjia Assets Liquidation Co., Ltd (the "**Administrator**") was appointed as the administrator of the Debtor Company's bankruptcy restructuring proceedings.

On 28 July 2025, the Administrator, Zhejiang Huazhang Technology Limited (a wholly-owned subsidiary of the Huazhang Technology Holding Limited (the "**Company**") ("**Zhejiang Huazhang**") and the Debtor Company entered into the Restructuring Agreement. Pursuant to the Restructuring Agreement, Zhejiang Huazhang has conditionally agreed to invest a total sum of RMB95,693,842 (the "**Investment Amount**") into the Debtor Company which will be used to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan. All the liabilities of the Debtor Company, including trade payables of RMB324,850,280 and lease liabilities of RMB93,715,962 will be fully discharged using the Investment Amount upon completion of the transaction.

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement. Upon completion of the equity transfer, the Debtor Company will become a wholly-owned subsidiary of the Company.

These Historical Financial Information are presented in Renminbi Yuan ("**RMB**"), which is the same as the functional currency of the Debtor Company.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently applied by the Debtor Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

2.2 GOING CONCERN

The Debtor Company reported a loss of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. As at 31 December 2025, the Debtor Company's reported net current liabilities position was RMB630,972,492 and its lease liabilities of RMB64,789,397, together with accrued interest of RMB28,926,565, had been defaulted. Furthermore, as at the date of issuance of the Historical Financial Information, the Debtor Company is the process of adopting a Restructuring Plan. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Debtor Company's ability to continue as a going concern. Therefore, the Debtor Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Debtor Company's financial position, the directors of the Company will be implementing various plans and measures, as follows:

(i) Implementation of the Restructuring Plan per note 1 in order to settle all of the Debtor Company's outstanding liabilities to its creditors per the scheme of payment as approved by the PRC Courts and the Administrator;

(ii) Financial support from the Group upon successful implementations of the Restructuring Plan; and

(iii) Upon completion of the Acquisition, management of the Group will recommence the operations of the Debtor Company which is expected to generate revenues and positive cash flows.

These Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the abovementioned plans and measures to be undertaken by the Debtor Company. The directors of the Company are of the opinion that, taking into account the above plans and measures, the Debtor Company will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2025. The directors of the Company are therefore of the opinion that it is appropriate to prepare the Historic Financial Information on a going concern basis. Should the Debtor Company be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the carrying values of the Debtor Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

3. NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The Debtor Company has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — Dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[4]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2025.

[3] Effective for annual periods beginning on or after 1 January 2026.

[4] Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the Historical Financial Information in the foreseeable future.

HKFRS 18 *Presentation and Disclosure in Financial Statements*

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The directors of the Company is in the process of assessing the detailed impact of HKFRS 18 on the Debtor Company's Historical Financial Information.

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Property, plant and equipment

Property, plant and equipment include machinery and furniture, fittings and equipment. All property, plant and equipment is stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Debtor Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Plant and machinery 3–14 years
- Furniture, fittings and equipment 3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.3).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other income and gains, net in the statement of profit or loss.

4.2 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Debtor Company, is classified as investment property.

Land held under operating leases is classified and accounted for by the Debtor Company as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs that are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is calculated using the straight line method to allocate their costs over their estimated useful lives of lease term.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Debtor Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

4.3 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units ("**CGU**")) and group of CGUs that have synergy effect since the acquisition. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.4 Financial assets

4.4.1 Classification

The Debtor Company classifies its financial assets in the measurement category of those to be measured at amortised cost.

The classification depends on the Debtor Company's business model for managing the financial assets and the contractual terms of the cash flows.

4.4.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Debtor Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Debtor Company has transferred substantially all the risks and rewards of ownership.

4.4.3 Measurement

At initial recognition, the Debtor Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Debtor Company's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income and gains, net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other income and gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

4.4.4 Impairment

The Debtor Company assesses on a forward looking basis the expected credit loss ("**ECL**") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For lease receivables, the Debtor Company applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5.1(b) for further details.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.5 Lease and other receivables

Lease and other receivables are amounts due from customers for rental services performed in the ordinary course of business. If collection of lease and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Lease receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Debtor Company holds the lease receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. See Note 16 for further information about the Debtor Company's accounting for lease and other receivables, and Note 5.1(b) for the description of the Debtor Company's impairment policies.

4.6 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand.

4.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.8 Trade and other payables

These amounts represent liabilities for goods and services provided to the Debtor Company prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.9 Contract liabilities

A contract liability represents the Debtor Company's obligation to transfer the goods or services to a customer for which the Debtor Company has received consideration (or an amount of consideration is due) from the customer.

4.10 Leases

As lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Debtor Company.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Debtor Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Debtor Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

As lessor

Lease income from operating leases where the Debtor Company is a lessor is recognised in income on a straight line basis over the lease term (Note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

4.11 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

4.12 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

4.13 Employee benefits — pension obligations

In accordance with the rules and regulations in the PRC, the Debtor Company has arranged for its PRC employees to join the defined contribution retirement benefit plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 13. The assets of this plan are held separately from those of the Debtor Company in an independent fund managed by the PRC government.

The Debtor Company's contributions to the defined contribution retirement benefit plan are charged to the statements of profit or loss as incurred. The Debtor Company has no further payment obligations once the contributions have been paid.

4.14 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Debtor Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Debtor Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Debtor Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Debtor Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Debtor Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Debtor Company has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

Foreign exchange risk arises when transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Debtor Company operates in the PRC with most of the Debtor Company's transactions denominated and settled in RMB.

(ii) Cash flow and fair value interest rate risk

The Debtor Company's operating income and operating cash flows are substantially independent of changes in market interest rates as the Debtor Company has no significant interest-bearing assets and liabilities other than its bank deposits and lease. Bank deposits and lease liabilities at fixed rates expose the Debtor Company to fair value interest rate risk. The Debtor Company has not hedged its cash flow and fair value interest rate risk.

As at 31 December 2025, 2024 and 2023, the Debtor Company has no interest-bearing loans with floating rate.

(b) Credit risk

Credit risk arises from lease and other receivables and bank balances. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these assets represent the Debtor Company's maximum exposure to credit risk in relation to the corresponding class of assets.

To manage the risk with respect to cash and cash equivalents, they are either placed with or issued by highly reputable financial institutions.

The Debtor Company considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Debtor Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtors.

Management performs ongoing credit evaluations of the counterparties. The credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information.

The Debtor Company applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all lease receivables. To measure the ECL, lease receivables subject to individual evaluation, which are assessed for impairment individually.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. For other receivables, the impairment provision were determined as the 12-months ECL, as there was no significant increase of credit risk since the initial recognition. The Debtor Company has performed the assessment for other receivables and concluded that no material financial impact exists.

In respect of credit exposures to the tenant, which includes lease receivables and certain tenant-related other receivables, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. In general, a significant increase in credit risk is presumed if a debtor is past due in making a contractual payment/repayable demanded, and a default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days when they past due.

The management regularly reviews the recoverable amount of each long overdue lease receivable on an individual basis to ensure that adequate provision for impairment losses is made for potentially irrecoverable amounts, which uses a lifetime expected loss allowance for lease receivables. The Debtor Company has also incorporated forward-looking information, which takes into account the macroeconomic factors in estimating the expected credit loss. As at 31 December 2025, provision for impairment of RMB21,646,108 (2023 and 2024: RMB10,690,553 and RMB18,690,553 respectively) was made on certain long overdue lease receivables. The Debtor Company has concentration of credit risk as its lease receivables is due from one tenant during the Relevant Periods.

On that basis, the loss allowance as at Relevant Periods was determined as follows for lease receivables:

	Past due		
	Within 1 year	1 year to 2 years	Total
As at 31 December 2025			
Gross amount *(RMB)*	2,955,555	18,690,553	21,646,108
Expected loss rate	100%	100%	100%
Loss allowance *(RMB)*	(2,955,555)	(18,690,553)	(21,646,108)
Net carrying amount *(RMB)*	—	—	—
As at 31 December 2024			
Gross amount *(RMB)*	8,000,000	10,690,553	18,690,553
Expected loss rate	100%	100%	100%
Loss allowance *(RMB)*	(8,000,000)	(10,690,553)	(18,690,553)
Net carrying amount *(RMB)*	—	—	—
As at 31 December 2023			
Gross amount *(RMB)*	8,000,000	2,690,553	10,690,553
Expected loss rate	100%	100%	100%
Loss allowance *(RMB)*	(8,000,000)	(2,690,553)	(10,690,553)
Net carrying amount *(RMB)*	—	—	—

The tables below detail the credit risk exposures of the Debtor Company's financial assets, which are subject to ECL assessment:

	Notes	**Internal**	**12-month or credit rating lifetime ECL**	**Gross carrying amount** *RMB*
As at 31 December 2025				
Financial assets at amortised cost				
Lease receivables	*16*	(note i)	Lifetime ECL	21,646,108
Other receivables	*16*	(note ii)	Lifetime ECL	14,910,787
Bank balances and cash	*17*	N/A	12-month ECL	2,329
As at 31 December 2024				
Financial assets at amortised cost				
Lease receivables	*16*	(note i)	Lifetime ECL	18,690,553
Other receivables	*16*	(note ii)	Lifetime ECL	14,910,787
Bank balances and cash	*17*	N/A	12-month ECL	2,329
As at 31 December 2023				
Financial assets at amortised cost				
Lease receivables	*16*	(note i)	Lifetime ECL	10,690,553
Other receivables	*16*	(note ii)	Lifetime ECL	14,910,787
Bank balances and cash	*17*	N/A	12-month ECL	2,419

Notes:

(i) The Debtor Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Debtor Company assessed these balances are credit-impaired.

(ii) The Debtor Company that there is evidence indicating these other receivables are credit-impaired.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The consideration of going concern assessment prepared by the directors of the Company are set out in note 2.2, as the Debtor Company's current liabilities exceeded its current assets by RMB630,972,492 as at 31 December 2025.

All of the Debtor Company's remaining contractual maturity for its financial liabilities are repayable on demand or within one year.

5.2 Capital risk management

The Debtor Company's objectives when managing capital are to safeguard the Debtor Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Debtor Company consists of net debt, which includes lease liabilities in note 20, net of cash and cash equivalents and equity attributable to owners of the Debtor Company, comprising issued share capital and reserves.

In order to maintain or adjust the capital structure, the Debtor Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5.3 Fair value estimation

The carrying amounts of the Debtor Company's other financial assets (including lease and other receivables and bank balances and cash) and financial liabilities (including trade and other payables and lease liabilities) approximate their fair values.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historic Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Debtor Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6.1 Critical accounting estimates

(a) Impairment of lease and other receivables

For lease and other receivables, the Debtor Company applies ECL model to provide for ECL as prescribed by HKFRS 9, which requires the use of the 12-month or lifetime expected loss allowance. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Debtor Company uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Debtor Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at the end of each reporting period.

(b) Impairment of property, plant and equipment and investment properties

In considering the impairment losses that may be required for the property, plant and equipment and investment properties of the Debtor Company, their recoverable amounts need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In arriving at the fair value less cost disposal, management have assessed these assets using the cost method and pricing indexes. The Debtor Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

7. SEGMENT INFORMATION

The Debtor Company's businesses are operated and managed as one single segment — rental income and no separate segment information was presented for the Relevant Periods. During the Relevant Periods, the Debtor Company principally operated in the PRC and all of its revenue was generated in the PRC. All of its non-current assets were located in the PRC during the Relevant Periods.

Management monitors the results of the Debtor Company's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before income tax is measured consistently with the Debtor Company's loss before income tax except that common administrative expenses, other income, finance cost, net and income tax expense are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities of the Debtor Company are managed on a portfolio basis.

Geographical information

During the Relevant Periods, the Debtor Company operated within one geographical segment because nearly all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC Accordingly, no geographical segment information is presented.

Information about major customers

Only one single customer of the Debtor Company during the Relevant Periods.

8. REVENUE

	2023	2024	2025
	RMB	*RMB*	*RMB*
Rental income	7,280,000	7,280,000	2,689,555

The Debtor Company leases its leasehold land and property, plant and machinery to Baoshan Yuzhi Paper Co., Ltd. ("**Baoshan Yuzhi**"), a related company under rental agreements ranging from 2020 to 2039 with the an annual fixed payment of RMB8,000,000. However, the leases agreement had been defaulted and terminated by a court order on 14 May 2025 due to the bankruptcy restructuring proceedings. No operating lease commitments incurred since 14 May 2025. Details see note 16(a).

9. IMPAIRMENT LOSSES ON LEASE RECEIVABLES

		2023	2024	2025
	Notes	*RMB*	*RMB*	*RMB*
Impairment losses on — lease receivables	*16*	8,000,000	8,000,000	2,955,555

10. FINANCE COSTS, NET

	2023	2024	2025
	RMB	*RMB*	*RMB*
Finance (income)/cost			
— Bank interest income	(5)	—	—
— Lease liabilities — defaulted interest	2,039,040	—	—
	2,039,035	—	—

11. LOSS BEFORE INCOME TAX

The Debtor Company's loss before income tax is arrived after charging the following:

	Notes	2023 *RMB*	2024 *RMB*	2025 *RMB*
Depreciation of property, plant and equipment	*14*	17,958,071	17,932,663	16,559,512
Depreciation of investment properties	*15*	240,332	240,332	240,332
Employment benefit expenses	*13*	615,727	—	—
Other taxes		471,603	471,605	99,603
Other expenses		—	90	—
Included in administrative expenses		19,285,733	18,644,690	16,899,447

12. INCOME TAX EXPENSE

PRC enterprise income tax ("**EIT**") is provided on the assessable income of the Debtor Company incorporated in the PRC. Pursuant to the PRC Enterprise Income Tax Law (the "**EIT Law**"), the EIT of companies established in the PRC is unified at 25%, effective from 1 January 2008. The applicable EIT rate of the Debtor Company is 25% according to the EIT Law. A reconciliation of the income tax expense applicable to loss before income tax using the statutory rate is as follows:

	2023	**2024**	**2025**
	RMB	*RMB*	*RMB*
Loss before income tax	(22,044,768)	(19,364,690)	(17,165,447)
Tax calculated at the statutory tax rate of 25%	(5,511,192)	(4,841,173)	(4,291,362)
Tax effects of:			
Tax losses and temporary differences for which no deferred tax asset was recognised	5,511,192	4,841,173	4,291,362
Income tax expense for the year	—	—	—

Deferred tax assets

Unrecognised deferred tax assets arising from:

	2023	**2024**	**2025**
	RMB	*RMB*	*RMB*
Deductible temporary differences	25,601,340	33,601,340	36,556,896
Tax losses	74,610,189	47,448,793	61,658,684
At the end of the reporting period	100,211,529	81,050,133	98,215,580

The related deferred tax assets have not been recognised due to uncertainty of their recoverability. Deductible temporary differences have no expiry, while the expiry dates of tax losses at the end of the reporting period was as follows:

	2023	2024	2025
	RMB	*RMB*	*RMB*
Accumulated tax losses			
In PRC expire for five years			
— 2023	—	—	—
— 2024	38,526,086	—	—
— 2025	—	—	—
— 2026	—	—	—
— 2027	22,039,335	22,039,335	22,039,335
— 2028	14,044,768	14,044,768	14,044,768
— 2029	—	11,364,690	11,364,690
— 2030	—	—	14,209,891
	74,610,189	47,448,793	61,658,684

13. EMPLOYEE BENEFIT EXPENSE

	2023	2024	2025
	RMB	*RMB*	*RMB*
Employee benefit expense (including directors' emoluments)			
Wages and salaries	615,727	—	—

The employees of the Debtor Company who work in the PRC are required to participate in pension schemes operated by the local governments. The Debtor Company is required to contribute certain percentage of their payroll costs to the schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the pension schemes. No contribution paid during the Relevant Periods.

There was no forfeited contribution during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets plant and machinery *RMB*	Plant and machinery *RMB*	Furniture, fittings and equipment *RMB*	Total *RMB*
Cost				
As at 1 January and 31 December 2023, 2024 and 2025	147,716,856	52,765,496	459,805	200,942,157
Accumulated depreciation				
As at 1 January 2023	61,111,974	11,800,288	458,889	73,371,151
Charge for the year	14,771,686	3,186,306	79	17,958,071
As at 31 December 2023	75,883,660	14,986,594	458,968	91,329,222
Charge for the year	14,771,686	3,160,977	—	17,932,663
As at 31 December 2024	90,655,346	18,147,571	458,968	109,261,885
Charge for the year	14,771,685	1,787,827	—	16,559,512
As at 31 December 2025	105,427,031	19,935,398	458,968	125,821,397
Net carrying amount				
As at 31 December 2025	42,289,825	32,830,098	837	75,120,760
As at 31 December 2024	57,061,510	34,617,925	837	91,680,272
As at 31 December 2023	71,833,196	37,778,902	837	109,612,935

As at 31 December 2025, the right-of-use assets — plant and machinery with net carrying amount of RMB42,289,825 (2023 and 2024: RMB71,833,196 and RMB57,061,510 respectively) have been pledged to a finance leasing company to secure lease liabilities (note 20) granted to the Debtor Company. The lease liabilities had been defaulted since 2019.

All the property, plant and equipment and the investment properties were leased to a related company for generated the rental income.

Details refer to the note 8.

15. INVESTMENT PROPERTIES

	Prepaid lease payments *RMB*
Cost	
As at 1 January and 31 December 2023, 2024 and 2025	12,016,576
Accumulated depreciation	
As at 1 January 2023	3,558,751
Charge for the year	240,332
As at 31 December 2023	3,799,083
Charge for the year	240,332
As at 31 December 2024	4,039,415
Charge for the year	240,332
As at 31 December 2025	4,279,747
Net carrying amount	
As at 31 December 2025	7,736,829
As at 31 December 2024	7,977,161
As at 31 December 2023	8,217,493

Amount recognised in profit or loss for investment properties included:

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Rental income	7,280,000	7,280,000	2,689,555
Depreciation	240,332	240,332	240,332

Management have not disclosed the fair value and related disclosures of the investment properties in accordance with HKAS 40.

16. LEASE AND OTHER RECEIVABLES

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Lease receivables *(note a)*	10,690,553	18,690,553	21,646,108
Less: provision for impairment of lease receivables	(10,690,553)	(18,690,553)	(21,646,108)
Lease receivables, net	—	—	—
Other receivables *(note c)*	14,910,787	14,910,787	14,910,787
Less: provision for impairment of other receivables	(14,910,787)	(14,910,787)	(14,910,787)
Other receivables, net	—	—	—
Total lease and other receivables	—	—	—

(a) In May 2025, the Administrators filed a claim in the Longyang Court in the PRC for outstanding lease receivables in the amount of RMB21,646,108 and the Longyang Court have issued a court order, received and frozen an amount of RMB10,000,000 in respect of the outstanding lease receivables. As the date of issuance of the Historical Financial Information, the case was pending judgment. The Debtor Company assessed that the lease receivables had other legal cases at the same time, such as Labour Tribunal cases and cases of the PRC Government department and considering the repayment priority, recognised the full impairment of the lease receivables for the Relevant Periods.

(b) Movements in the Debtor Company's provision for impairment of lease receivables are as follows:

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Balance at the beginning of the year	2,690,553	10,690,553	18,690,553
Recognised during the year *(Note a)*	8,000,000	8,000,000	2,955,555
Balance at the end of the year	10,690,553	18,690,553	21,646,108

(c) Other receivables at 31 December 2023, 2024 and 2025 consisting mainly of the advances to the independent third party companies and individuals of RMB9,410,210 and RMB5,500,577 which were unsecured, interest free and repayable on demand.

(d) Movements in the Debtor Company's provision for impairment of other receivables are as follows:

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Balance at the beginning and end of the year	14,910,787	14,910,787	14,910,787

17. BANK BALANCES AND CASH

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Cash at bank	2,397	2,307	2,307
Cash on hand	22	22	22
Cash and cash equivalents	2,419	2,329	2,329

The Debtor Company's bank balances and cash are all denominated in RMB.

18. TRADE AND OTHER PAYABLES

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Trade payables *note (i)*	433,221,857	433,221,857	433,221,857
Accruals	615,727	615,727	615,727
Other taxes payable *note (ii)*	6,793,742	7,985,347	8,350,950
Other payables *note (iii)*	87,763,114	87,763,114	87,763,114
	528,394,440	529,586,045	529,951,648

Notes:

(i) At 31 December 2023, 2024 and 2025, trade payables included an amount due to a shareholder of RMB1,370,504, RMB1,370,504 and RMB1,370,504 respectively. The amount is interest-free, unsecured and payable on demand.

The ageing analysis of the trade payables based on the invoice date is as follows:

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Up to 3 months	—	—	—
3 months to 6 months	—	—	—
6 months to 1 year	—	—	—
1 year to 2 years	33,219	—	—
Over 2 years	433,188,638	433,221,857	433,221,857
	433,221,857	433,221,857	433,221,857

(ii) Other tax payable mainly includes value added tax payables, urban maintenance and construction tax, education surcharge and property tax etc.

(iii) Other payables comprised:

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Major shareholders	52,000,861	52,000,861	52,000,861
Independent third parties	35,762,253	35,762,253	35,762,253
	87,763,114	87,763,114	87,763,114

The amounts are interest-free, unsecured and payable on demand.

19. CONTRACT LIABILITIES

The contract liabilities primarily related to the advanced consideration received from customers. Management have not provided the relevant disclosures as required by HKFRS 15.

20. LEASE LIABILITIES

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Principal	64,789,397	64,789,397	64,789,397
Defaulted interest	28,926,565	28,926,565	28,926,565
	93,715,962	93,715,962	93,715,962

Lease liabilities were borrowed from a finance leasing company and secured by the leasing plant and machinery of the Debtor Company, interest bearing at 6.125% to 7.02%, and repayable before 2018.

21. PAID UP CAPITAL

	2023	2024	2025
	RMB	*RMB*	*RMB*
Paid up capital			
At 1 January and 31 December	24,900,000	24,900,000	24,900,000

The Debtor Company is a company established under the laws of the PRC in Baoshan City, Yunnan Province, the PRC on 22 October 2010 with a registered capital of RMB24,900,000 (fully paid-up).

22. RELATED PARTY TRANSACTION

The following is a summary of the significant transactions carried out between the Debtor Company and its related parties in the ordinary course of business and balances arising from related party transactions during the Relevant Periods.

(a) Name and relationship with related parties

Name of related parties	Relationships
Baoshan Yuzhi Paper Co., Ltd. ("**Baoshan Yuzhi**")	Controlled by close family members of former director of the Debtor Company

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in these Historic Financial Information, the Debtor Company had the following transactions with related parties during the Relevant Periods.

	2023	2024	2025
	RMB	*RMB*	*RMB*
Rental income	7,280,000	7,280,000	2,689,555

(c) Balances with related parties

	2023 *RMB*	2024 *RMB*	2025 *RMB*
Lease receivables			
— Baoshan Yuzhi	10,690,553	18,690,553	21,646,108
Trade payables			
— Liu Yuedong	1,370,504	1,370,504	1,370,504
Other payables			
— Chen Zhenyu	309,818	309,818	309,818
— Lin Jintao	51,691,043	51,691,043	51,691,043

23. DIVIDENDS

No dividends were paid during the Relevant Periods.

The Administrator does not recommend to declare any dividend for the year ended 31 December 2025 (2023 and 2024: nil).

24. EVENTS AFTER THE REPORTING PERIOD

(a) Restructuring

The Debtor Company, the Administrator and Zhejiang Huazhang entered into a Restructuring Agreement on 28 July 2025. Pursuant to the Restructuring Agreement, Zhejiang Huazhang has agreed to invest a total sum of RMB95,693,842.33 (the "**Investment Amount**") into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan.

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement.

Upon completion of the Restructuring Plan, all the financial liabilities of the Debtor Company would be discharged including trade and other payables of RMB529,951,648, contract liabilities of RMB7,307,211 and lease liabilities of RMB93,715,962 at 31 December 2025 will be fully settled. It is assumed that no liability of the Debtor Company is assumed by the Enlarged Group at date of completion of acquisition of the Debtor Company.

After the Equity Transfer Completion, the Debtor Company will become a wholly-owned subsidiary of the Group.

At 30 June 2025, Zhejiang Huazhang has paid an application fee of RMB10,000,000 and a performance pledge of RMB40,000,000 to the Administrator which will be fully applied to partially satisfy the payment of the Investment Amount. At the date of issuance of the Historical Financial Information, the acquisition was still in progress. Details of the acquisition are disclosed in the announcement of the Company dated 28 July 2025.

(b) Acquisition of creditor's rights

On 1 December 2025, the Yunnan Asset Management Company Limited, a company established in the PRC with limited liability and a secured creditor of the Debtor Company (the "**Seller**") published an auction invitation in the Jingdong Asset Bidding Network Platform at https://zcpm.jd.com inviting public bids for the acquisition of the creditor's rights legally held by the Seller in (i) the amount of approximately RMB38,320,000 due from the Debtor Company; and (ii) amount due from Zhaotong Junchi Trading Company Limited with a principal of RMB10,000,000 ("**Creditor's Rights**"). The Group participated in the public auction and was the highest bidder. On 17 December 2025, Huazhang Holdings (Taizhou) Company Limited (the "**Purchaser**"), a wholly owned subsidiary of the Company entered into the Debt Transfer Agreement with the Seller for the acquisition of the Creditor's Rights at a consideration of RMB20,000,000, which will be fully settled by the Purchaser within five business days after the date of the Debt Transfer Agreement. Pursuant to the Restructuring Plan, the recognised debt claim of RMB38,320,000 ("**Verified Amount**") was secured and verified by the Administrator and Court, and in accordance with the Restructuring Plan was entitled to repayment of 50% of the Verified Amount. Details of the acquisition of the Creditor's Rights by way of public auction is disclosed in the announcement of the Company dated 17 December 2025.

Set out below is the management discussion and analysis of the Debtor Company for the three financial years ended 31 December 2023, 2024 and 2025.

BUSINESS REVIEW

The Debtor Company is a company established under the laws of the PRC in Baoshan City, Yunnan Province, the PRC on 22 October 2010 with a registered capital of RMB24,900,000 (fully paid-up). During the Relevant Periods, the Debtor Company was principally engaged in the rental of its leasehold land and property, plant equipment.

FINANCIAL REVIEW

Revenue

The Debtor Company leased its land and property, plant and machinery to Baoshan Yuzhi Paper Co., Ltd. ("**Baoshan Yuzhi**") under rental agreements ranging from 2020 to 2039 with an annual fixed payment. However, the rental agreements had been defaulted and terminated by a court order on 14 May 2025 due to the bankruptcy restructuring proceedings. No operating lease commitments incurred since 14 May 2025. For the year ended 31 December 2025, rental income amounted to RMB2,689,555 (year ended 31 December 2023 and 2024: RMB7,280,000 and RMB7,280,000 respectively).

Expenses

The total expenses were mainly represented by the depreciation charge of property, plant and equipment and also the impairment losses on lease and other receivables.

For the year ended 31 December 2025, depreciation charge of property, plant and equipment amounted to RMB16,559,512 (year ended 31 December 2023 and 2024: RMB17,958,071 and RMB17,932,663 respectively).

The Debtor Company assessed that the lease receivables had other legal cases at the same time, such as labour tribunal cases and cases of the PRC government department and considering the repayment priority, recognised the full impairment of the lease receivables. As a result, for the year ended 31 December 2025, impairment losses on leases and other receivables amounted to RMB2,955,555 (year ended 31 December 2023 and 2024: RMB8,000,000 and RMB8,000,000 respectively).

Loss for the year

As a result of the foregoing, the loss for the years ended 31 December 2023, 2024 and 2025 amounted to RMB22,044,768, RMB19,364,690 and RMB17,165,447 respectively.

Property, plant and equipment and investment properties

The major assets of the Debtor Company were property, plant and equipment and investment properties with total net carrying amount of RMB82,857,589 (as at 31 December 2023 and 2024: RMB117,830,428 and RMB99,657,433 respectively) and all these were leased to a company for generating rental income.

As at 31 December 2025, the right-of-use assets — plant and machinery with net carrying amount of RMB42,289,825 (as at 31 December 2023 and 2024: RMB71,833,196 and RMB57,061,510 respectively) have been pledged to a finance leasing company to secure lease liabilities granted to the Debtor Company. The lease liabilities had been defaulted since 2019.

Total liabilities, net current liabilities and net liabilities

As mentioned above, the major assets of the Debtor Company were property, plant and equipment and investment properties. All lease and other receivables had been fully provided.

As at 31 December 2025, the total liabilities of the Debtor Company was RMB630,974,821 (as at 31 December 2023 and 2024: RMB629,417,613 and RMB630,609,218 respectively) and the net liabilities/capital deficiency was RMB548,114,903 (as at 31 December 2023 and 2024: RMB511,584,766 and RMB530,949,456 respectively.)

As at 31 December 2025, the net current liabilities of the Debtor Company was RMB630,972,492 (as at 31 December 2023 and 2024: RMB629,415,194 and RMB630,606,889 respectively).

The Following information set out in this Appendix does not form part of the accountants' report issued by KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in "Appendix II — Accountants' report of the Debtor Company" and is included herein for information only. The unaudited pro forma financial information of the enlarged group should be read in conjunction with "Appendix I — Financial information of the Group" and "Appendix III — Management discussion and analysis of the Debtor Company".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Huazhang Technology Holding Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), and Baoshan Xingshengtai Paper Co., Ltd.* (保山鑫盛泰紙業有限公司) (the "**Debtor Company**") (the Group and the Debtor Company are hereafter collectively referred to as the "**Enlarged Group**"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2025, has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely prepared for the purpose to illustrate the effect of the proposed acquisition of the entire equity interest in the Debtor Company (the "**Acquisition**") to the Group as if the Acquisition had been completed on 30 June 2025.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 30 June 2025, which has been extracted from the annual report of the Group for the year ended 30 June 2025; and (ii) the statement of financial position of the Debtor Company as at 31 December 2025, which has been extracted from the financial information of the Debtor Company thereon set out in Appendix II to the circular dated 3 February 2026 ("**Circular**") and in respect of which KTC Partners CPA Limited have issued a disclaimer of opinion, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2025. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this Circular, and that of the Debtor Company, as set out in Appendix II to this Circular, and other financial information included elsewhere in this Circular.

* *English name for identification purpose*

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 30 June 2025	The Debtor Company as at 31 December 2025	Pro forma adjustments						The Enlarged Group after the Acquisition
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	(Note i)	*(Note ii)*	*(Note iii)*	*(Note iv)*	*(Note v)*	*(Note vi)*	*(Note vii)*	*(Note viii)*	
ASSETS									
NON-CURRENT ASSETS									
Property, plant and equipment	29,587,403	75,120,760				19,553,457		1,822,146	126,083,766
Other right-of-use assets	3,709,665	—							3,709,665
Investment properties	157,514,608	7,736,829				(7,736,829)			157,514,608
Prepaid land lease payments	2,603,881	—				17,323,457		893,358	20,820,693
Other intangible assets	1,389,326	—							1,389,326
Goodwill	29,306,413	—							29,306,413
Trade and other receivables	52,869,266	—	(50,000,000)						2,869,266
Prepayments	117,542	—							117,542
Deferred tax assets	1,300,603	—							1,300,603
	278,398,707	82,857,589							343,111,882
CURRENT ASSETS									
Inventories	151,266,452	—							151,266,452
Trade and other receivables	172,467,633	—							172,467,633
Contract assets	51,669,827	—							51,669,827
Prepayments	72,916,013	—							72,916,013
Financial assets at fair value through other comprehensive income	45,780,051	—							45,780,051
Financial assets at fair value through profit or loss	9,398,036								9,398,036
Bank fixed deposits	49,822,287	—							49,822,287
Pledged deposits	8,181,215	—							8,181,215
Cash and cash equivalents	120,616,516	2,329	(45,693,842)		(2,006,702)		(2,008,543)	(2,715,504)	68,194,254
	682,118,030	2,329							629,695,768
Total assets	960,516,737	82,859,918							972,807,650
LIABILITIES									
NON-CURRENT LIABILITIES									
Deferred tax liabilities	4,365,674	—							4,365,674
Deferred income	17,437,500	—							17,437,500
Lease liabilities	1,355,888	—							1,355,888
	23,159,062	—							23,159,062
CURRENT LIABILITIES									
Trade and other payables	233,372,293	529,951,648		(529,951,648)	14,299,456				247,671,749
Contact liabilities	184,134,471	7,307,211		(7,307,211)					184,134,471
Interest-bearing loans	98,080,918	—							98,080,918
Income tax payable	4,020,082	—							4,020,082
Lease liabilities	2,196,832	93,715,962		(93,715,962)					2,196,832
	521,804,596	630,974,821							536,104,052
Total liabilities	544,963,658	630,974,821							559,263,114
NET ASSETS	415,553,079	(548,114,903)							413,544,536

2. NOTES TO PRO FORMA ADJUSTMENTS

(i) The amounts are extracted from the consolidated statement of financial position of the Group as at 30 June 2025 as set out in the published annual report of the Company for the year then ended.

(ii) The amounts are extracted from the audited statement of financial position of the Debtor Company as at 30 June 2025 as set out in Appendix II to this Circular, and in respect of which KTC Partners CPA Limited have issued a disclaimer of opinion.

(iii) Pursuant to the Restructuring Agreement of 27 July 2025, the Group will invest RMB95,693,842 in to the Debtor Company for the settlement of the outstanding debts due to the creditors of the Debtor Company as examined and verified by the Administrator as set out in the Restructuring Plan. Upon completion of the Restructuring Plan, the Group will acquire the entire equity interest in the Debtor Company.

An application fee of RMB10,000,000 was paid by the Group in June 2024 and a performance pledge deposit of RMB40,000,000 was made to the Administrator in January 2025.

The Group will have an option to settle the remaining balance of the Investment Amount (i.e., RMB45,693,842) either (i) by paying the said balance to the Administrator within 30 days from the date on which all the Conditions Precedent have been satisfied; or (ii) by obtaining written confirmations from all such creditors with an aggregate outstanding discounted debts of not less than RMB45,693,842 confirming their agreement and undertaking to waive their debts or defer any demand for repayment of their debts. Upon the Administrator's receipt of the said written confirmations, Zhejiang Huazhang will be deemed to have fulfilled its obligations to pay the remaining balance of the Investment Amount.

Total amount of outstanding liabilities per the special audit report prepared by a local PRC auditor appointed by the Administrator as at 6 April 2023 stated in statement of financial position of the Debtor Company amounted to RMB621,928,456. In accordance with the Restructuring Agreement, the Group's Investment Amount of RMB95,693,842 will be used to repay the creditors of the Debtor Company as per the Restructuring Plan approved by the Longyang Court.

(iv) Upon completion of the Restructuring Plan, all the financial liabilities of the Debtor Company would be discharged including trade and other payables of RMB529,951,648, contract liabilities of RMB7,307,211 and other loans of RMB93,715,962 will be settled accordingly:

(a) Investment Amount will be used to settle verified liabilities of RMB422,581,590 as per the Restructuring Plan.

(b) Of the total liabilities recorded of RMB621,928,456 in the special audit report, RMB100,472,049 has been adjusted by the Administrator and Longyang Court which included rejection and acceptance of claims and reclassification to other tax payable. The directors of the Company is of the view that it is highly unlikely that any claims will be made in respect of the unclaimed amount of RMB102,890,165 and the adjusted amount of RMB100,472,049.

In the unlikely event that all the remaining creditors make a successful claim against the Debtor Company, based on the Restructuring Agreement and the financial guarantee from the controlling shareholder, details per below in (c), the Group's Maximum Investment Amount is RMB112,000,000. Hence, an additional amount of RMB16,306,158 could be payable on top of the Investment Amount. An initial provision of RMB16,306,158 was made, and as of the date of this report, RMB2,006,702 has been verified.

(c) Mr. Fang Hui, Chairman, executive Director and controlling shareholder of the Company has executed a guarantee in favour of the Company for i) any creditor's claim which the Company has to bear over RMB621,928,456 on after "hair-cut" basis for a period up to 30 August 2026; and ii) bear all amounts in excess of RMB112,000,000, being the Maximum Investment Amount payable by the Company.

Pursuant to the Restructuring Agreement, if any third party asserts claims such as mortgage rights, pledge rights, retention of title, or right of recovery against the Debtor Company after 14 May 2025 which results in Zhejiang Huazhang incurring actual expenses exceeding RMB3,000,000; or any fine, defect in rights, or other issue that result in an increase in the Debtor Company's liabilities or an increase in the investment amount, where the amount of any single such claim does not meet the aforementioned standard but the aggregate amount reaches RMB7,000,000, Zhejiang Huazhang will have the right to unilaterally terminate the Restructuring Agreement. However, any investment amount paid prior to the termination shall not be refunded.

Given that over two years have elapsed since the Longyang Court ruled on 6 April 2023 for the Debtor Company to undergo bankruptcy restructuring, a period during which the Administrator and the PRC Auditors repeatedly verified the Debtor Company's liabilities based on its financial information, and conducted multi-faceted review and verification of all declared claims, and considering the due diligence performed by the Company through its professionals advisers, the Company considered the probability of significant debt omissions to be extremely low.

(v) As at the date of issuance of this Circular, as advised by the Administrator the total verified liabilities amounted to RMB427,527,965 consisting of creditors and accrued salaries due to former employees of RMB542,334. As advised by the Administrator, the additional verified liabilities of RMB4,945,375 would in accordance with the Restructuring Plan result in an additional payment of RMB2,006,702.

Therefore, resulting in (i) the investment Amount of RMB95,693,842 increasing by RMB2,006,702 to RMB97,700,544 to account for the new verified liabilities and (ii) decrease in provision for contingent consideration from RMB16,306,158 to RMB14,299,456.

(vi) The Acquisition is accounted for as an acquisition of assets, that do not meet the definition of business as prescribed in Hong Kong Financial Reporting Standard 3 *Business Combinations* as issued by the Hong Kong Institute of Certified Public Accountants. Reconciliation of consideration paid or payables are as follows:

	RMB
Assets and liabilities acquired at the date of completion:	
Prepaid lease payments	18,216,812
Property, plant and equipment	96,496,363
Bank balances and cash	2,329
Net assets acquired of	114,715,504
Consideration paid*	(114,715,504)
	—
Net cash outflow on acquisition of the Debtor Company	
Cash consideration paid	114,715,504
Less: bank balances and cash acquired	(2,329)
	114,713,175

	RMB
* Cost of acquisition of assets consists of:	
Investment Amount per the Restructuring Agreement	95,693,842
Legal and professional fees	2,715,504
Payment of additional verified liabilities	2,006,702
Provision for contingent consideration	14,299,456
	114,715,504

	Carrying amount at 31 December 2025	Reclassification	Legal and professional fees	Adjustments	Acquisition value
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
		(Note a)	*(Note b)*	*(Note c)*	*(Unaudited)*
Investment property	7,736,829	(7,736,829)	—	—	—
Prepaid lease payment	—	7,736,829	893,358	9,586,625	18,216,812
Property, plant and equipment	75,120,760	—	1,882,146	19,553,457	96,496,363
Cash and cash equivalents	2,329	—	—	—	2,329
	82,859,918	—	2,715,504	29,140,082	114,715,504

Notes:

(a) The investment properties were previously leased out to a related party. Upon completion of the Acquisition, the Enlarged Group will use the investment properties for the production of paper related products. Hence, the related investment properties have been reclassified to prepaid lease payments.

(b) The legal and professional fees have been allocated based on the fair value of the assets as per the valuation report of 31 December 2025 as disclosed in Appendix V and VI of this Circular.

(c) The amounts represent the adjustment to the carrying amounts of prepaid lease payment and property, plant and equipment to the Investment Amount which is equivalent the value of the acquired assets and allocated based on the fair value of the assets as per the valuation report of 31 December 2025 as disclosed in Appendix V and VI of this Circular.

(vii) On 1 December 2025, the Yunnan Asset Management Company Limited, a company established in the PRC with limited liability and a secured creditor of the Debtor Company (the "**Seller**") published an auction invitation in the Jingdong Asset Bidding Network Platform at https://zcpm.jd.com inviting public bids for the acquisition of the creditor's rights legally held by the Seller in (i) the amount of approximately RMB38,320,000 due from the Debtor Company; and (ii) amount due from Zhaotong Junchi Trading Company Limited with a principal of RMB10,000,000 ("**Creditor's Rights**"). The Group participated in the public auction and was the highest bidder. On 17 December 2025, Huazhang Holdings (Taizhou) Company Limited (the "**Purchaser**"), a wholly owned subsidiary of the Company entered into the Debt Transfer Agreement with the Seller for the acquisition of the Creditor's Rights at a consideration of RMB20,000,000, which will be fully settled by the Purchaser within five business days after the date of the Debt Transfer Agreement. Pursuant to the Restructuring Plan, the recognised debt claim of RMB38,320,000 ("**Verified Amount**") was secured and verified by the Administrator and Court, and in accordance with the Restructuring Plan was entitled to a repayment of

RMB17,991,457 of the Verified Amount. Details of the acquisition of the Creditor's Rights by way of public auction is disclosed in the announcement of the Company dated 17 December 2025.

Reconciliation of loss are as follows:

	RMB
Consideration paid in accordance with the Debt Transfer Agreement	(20,000,000)
Amount recovery under Restructuring Agreement as creditor of the Debtor company	17,991,457
Loss on acquisition of Creditor's Rights	(2,008,543)

There is no change to the Restructuring Plan as a result of the acquisition of the Creditor's Rights, the Group will be required to make an initial total payment RMB95,693,842 consisting of RMB50,000,000 already prepaid as at 30 June 2025 and RMB45,693,842 on commencement of the Restructuring Plan. The Group as owners of the Creditor's Rights would be entitled to a recovery of RMB17,991,457 from the payment.

(viii) The adjustment relates to professional costs directly attributable to the Acquisition (including fees of legal advisers, financial advisers, reporting accountants, valuer, printer and other expenses).

(ix) No adjustments have been made to adjust any trading results or other transactions of the Group and the Debtor Company entered into subsequent to 30 June 2025.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP



KTC Partners CPA Limited
Certified Public Accountants (Practising)
中瑞和信會計師事務所有限公司

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

To the Directors of Huazhang Technology Holding Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Huazhang Technology Holding Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2025 and related notes as set out in Appendix IV-1 to IV-7 to the circular issued by the Company dated 3 February 2026 (the "**Circular**", in connection with the proposed acquisition of the Debtor Company (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2025 as if the Acquisition had taken place at 30 June 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 30 June 2025, on which an annual report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Room 1305–07, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong
香港九龍尖沙咀東科學館道9號新東海商業中心13樓1305–07室
Tel電話: (852) 2314 7999 Fax傳真: (852) 2110 9498 E-mail電子郵箱: info@ktccpa.com.hk

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

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

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

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

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

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

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686
Hong Kong, 3 February 2026

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be acquired by the Group. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
Units 1602-4, 16/F
308 Central Des Voeux
No. 308 Des Voeux Road Central
Hong Kong

VINCORN
appraisal • brokerage • consulting

The Board of Directors
Huazhang Technology Holding Limited
Suite 901, 9/F,
Ocean Centre,
5 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

3 February 2026

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China ("**The PRC**") to be acquired by Huazhang Technology Holding Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 31 December 2025 (the "**Valuation Date").**

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2024 published by The Hong Kong Institute of Surveyors effective from 31 December 2024 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2025; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

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

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

Three approaches are commonly adopted for property valuation, including Market Approach, Income Approach and Cost Approach.

When valuing the property interests to be acquired by the Group, we have adopted Cost Approach.

Cost approach is typically applied where there is no active market evidence for the property being valued. When relevant evidence of recent sale comparables and rental comparables are limited in the vicinity, Cost Approach would be adopted.

Cost Approach is subject to an assumption of adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. This technique is based on an estimate of the value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land, reference has been made to the land sale transactions as available in the locality. It generally provides the most reliable indication of value for a property in the absence of a known market based on comparable sales.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, Beijing DeHeng (Kunming) Law Offices, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The property was inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("**RMB**").

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited

Kit Cheung	**Vincent Cheung**
BSc(Hons) FHKIS MRICS R.P.S.(GP)	*BSc(Hons) MBA FHKIS FRICS R.P.S.(GP)*
MCIREA MHIREA	*MCIREA MHKSI MISCM MHIREA FHKIoD*
RICS Registered Valuer	*RICS Registered Valuer*
Registered Real Estate Appraiser PRC	*Registered Real Estate Appraiser & Agent PRC*
Certified ESG Planner CEP®	*Certified ESG Planner CEP®*
Executive Director	*Managing Director*

Note:

Vincent Cheung is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors, a Registered Real Estate Appraiser and Agent People's Republic of China and a Certified ESG Planner CEP®. He is suitably qualified to carry out the valuation and has over 28 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

Kit Cheung is a fellow of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors, a Registered Real Estate Appraiser People's Republic of China and a Certified ESG Planner CEP®. He is suitably qualified to carry out the valuation and has over 16 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

VALUATION CERTIFICATE

Property Interests to be Acquired by the Group for Owner Occupation in The PRC

Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 December 2025
Land and buildings located at Laoying Village, Wayao Town, Longyang District, Baoshan, Yunnan Province, The PRC	The property comprises 40 industrial buildings and various ancillary structures erected on three parcels of land. It was completed in various stages between 1998 and 2017. As per information provided by the Group, the property has a total site area and a total gross floor area ("**GFA**") of approximately 214,381.37 square metres ("**sq.m.**") and 40,833.33 sq.m. respectively. Of the total GFA of buildings with building ownership rights and that without building ownership rights are approximately 21,001.35 sq.m. and 19,831.98 sq.m. respectively. The state-owned land use rights of the property were granted for various terms with the latest expiry on 15 May 2069 for industrial and water territory and infrastructure uses.	As per our on-site inspection and information provided by the Group, the land and buildings on the land plot held under the Real Estate Title Certificate, Yun (2016) Bao Shan Shi Bu Dong Chan Quan Di No. 0000164 are leased to Baoshan Yuzhi Shangmao Co., Ltd. for 20 years expiring on 31 December 2039 with an annual rent of RMB3,000,000. The remaining portion of the property is currently vacant.	RMB70,600,000 (RENMINBI SEVENTY MILLION AND SIX HUNDRED THOUSAND) 100.0% Interest Attributable to the Group upon Acquisition: RMB70,600,000 (RENMINBI SEVENTY MILLION AND SIX HUNDRED THOUSAND)

Notes:

1. The property was inspected by Ines Wang *MSc(Real Estate) Probationer of RICS* on 23 October 2025.

2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS R.P.S.(GP) MCIREA MHKSI MISCM MHIREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC Certified ESG Planner CEP®* and Kit Cheung *BSc(Hons) FHKIS MRICS R.P.S.(GP) MCIREA MHIREA RICS Registered Valuer Registered Real Estate Appraiser PRC Certified ESG Planner CEP®*.

3. Pursuant to three Real Estate Title Certificates, the state-owned land use rights of three parcels of land of the property with a total site area of approximately 214,381.37 sq.m. were granted to Baoshan Xingshengtai Paper Industry Co., Ltd. and Zhang Jin Ping for various terms with the latest expiry on 15 May 2069 for industrial and water territory and infrastructure uses.

   The details of the Real Estate Title Certificates are summarized below:

Certificate No.	**Date of Issue**	**Land Use**	**Site Area** *(sq. m.)*
Yun (2016) Bao Shan Shi Bu Dong Chan Quan Di No. 0000164	5 June 2008	Industrial	96,995.70
Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006765	8 November 2010	Water Territory and Infrastructure	114,779.00
Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006332	16 May 2019	Industrial	2,606.67
		Total	**214,381.37**

4. Pursuant to two Real Estate Title Certificates, the building ownership rights of 32 buildings, including 21 workshops, 4 ancillary rooms, 2 dormitories, 2 guard rooms, 2 power distribution rooms and a canteen with a total GFA of 21,414.98 sq.m. were legally vested in Baoshan Xingshengtai Paper Industry Co., Ltd. and Zhang Jin Ping.

   The details of the Real Estate Title Certificates are summarized below:

Certificate No.	**Date of Issue**	**Portion**	**GFA** *(sq.m.)*
Yun (2016) Bao Shan Shi Bu Dong Chan Quan Di No. 0000164	5 June 2008	Canteen	640.21
		Dormitory #1	1,425.01
		Workshop #1	2,371.20
		Workshop #2	282.38
		Workshop #3	1,008.25
		Dormitory #2	113.69
		Workshop #4	156.98
		Workshop #5	1,171.98
		Ancillary Room #1	139.37
		Workshop #6	156.20
		Workshop #7	97.65
		Workshop #8	97.65
		Ancillary Room #2	102.10
		Workshop #9	145.44
		Workshop #10	316.90
		Workshop #11	316.90

Certificate No.	Date of Issue	Portion	GFA *(sq.m.)*
		Workshop #12	316.90
		Workshop #13	128.17
		Workshop #14	30.60
		Guard Room #1	15.80
		Guard Room #2	31.02
		Ancillary Room #3	10.92
		Workshop #15	38.53
		Workshop #16	1,444.37
		Workshop #17	586.27
		Ancillary Room #4	58.85
		Workshop #18	215.80
		Workshop #19	507.35
		Workshop #20	7,660.93
		Workshop #21	1,369.92
Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006332	16 May 2019	Power Distribution Room #1	181.64
		Power Distribution Room #2	276.00
			21,414.98

During the on-site inspection, it was confirmed that 5 buildings, including Ancillary Rooms #1, 2 & 3, Workshop #9 and Guard Room #1, with a total GFA of approximately 413.63 sq.m. were demolished. Thus, the building ownership rights of 27 buildings with a total GFA of 21,001.35 sq.m. have been remaining on-site.

5. The general description and market information of the property are summarized below:

Location:	The property is located at Laoying Village, Wayao Town, Longyang District, Baoshan, Yunnan Province, The PRC.
Transportation:	Baoshan Yunrui Airport and Baoshan Railway Station are located approximately 33.3 kilometres and 25.8 kilometres away from the property respectively.
Nature of Surrounding Area:	The area is predominately an industrial area in Longyang District.

6. We have been provided with a legal opinion regarding the property by Beijing DeHeng (Kunming) Law Offices, which contains, inter alia, the following:

(a) Baoshan Xingshengtai Paper Industry Co., Ltd. has obtained the state-owned land use rights and building ownership rights held under the Real Estate Title Certificates, Yun (2016) Bao Shan Shi Bu Dong Chan Quan Di No. 0000164 and Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006765;

(b) The state-owned land use rights and building ownership rights held under the Real Estate Title Certificate, Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006332 were originally vested in Zhang Jin Ping. However, pursuant to the Civil Judgements, No. (2024) Yun 0502 Min Chu 6210 and No. (2025) Yun 05 Min Zhong 128, the state-owned land use rights and building ownership rights held under the said Real Estate Title Certificate were confirmed to belong to Baoshan Xingshengtai Paper Industry Co., Ltd. while Zhang Jin Ping and spouse Wang Zu Huan retained creditor rights with priority compensation from auction or sale proceeds;

(c) If not subject to bankruptcy reorganization, Baoshan Xinshengtai Paper Co., Ltd. may, with the consent of the mortgagee, legally occupy, use, lease, transfer, mortgage, or handle by other means the relevant state-owned land use rights and building ownership rights of the property. Currently, Baoshan Xinshengtai Paper Co., Ltd. is under bankruptcy reorganization, and the relevant handling rights shall be exercised in accordance with the provisions of the Bankruptcy Law; and

(d) Baoshan Xinshengtai Paper Co., Ltd. has mortgaged the state-owned land use rights and building ownership rights held under the Real Estate Title Certificate, Yun (2016) Bao Shan Shi Bu Dong Chan Quan Di No. 0000164 to Yunnan Asset Management Co., Ltd..

7. As advised by the Group, 13 buildings, including 7 workshops, 2 warehouses, 3 dormitories and an ancillary room, are yet to be granted with proper title certificates of building ownership rights. In the course of our valuation, we have attributed no commercial value to the 13 buildings. The reference value of the 13 buildings of the property, assuming that they have been granted with proper title certificates of building ownership rights and they can be freely transferred, as at the Valuation Date was circa RMB25,500,000.

8. In the course of our valuation of the land portion of the property we have considered and analysed the land sale comparables in the vicinity. The land sale comparables collected on an exhaustive basis are considered relevant to the Property Interest in terms of property type, usage, time and location. All comparables are land sales of industrial uses and infrastructure uses transacted within 2025 and located in Yunnan Province.

   The unit rates of the adopted industrial land sale comparables are ranging from RMB271 to RMB334 per sq.m. on the basis of site area. After due adjustments in terms of different attributes including time, location, usage, size and land use rights term, the unit rates of the adopted comparables are adjusted to a range of RMB199 to RMB248 per sq.m. on the basis of site area and a range of RMB272 to RMB340 per sq.m. on the basis of site area, which are then weighted evenly to derive the unit rate of RMB215 per sq.m. and RMB295 per sq.m. on the basis of site area for the land parcels held under the Real Estate Title Certificates, Yun (2016) Bao Shan Shi Bu Dong Chan Quan Di No. 0001564 and Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006332 respectively.

The following table shows the details of land sale comparables with the adopted adjustments:

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**
Lot No.	**TCHH2025-106**	**TCZH2025-090**	**A-G-348**	**D-G-302**
Address	Minglang Village, Hehua Town	Dacun Village, Zhonghe Town	Shuichang Industrial Zone (Shuichang Area)	huichang Industrial Zone (Huaxing Area)
District	Tengchong City	Tengchong City	Shidian County	Shidian County
City	Baoshan	Baoshan	Baoshan	Baoshan
Province	Yunan	Yunan	Yunan	Yunan
Site Area (sqm)	4,175	4,042	1,795	4,000
Permitted Uses	Industrial	Industrial	Industrial	Industrial
Land Use Rights	Granted	Granted	Granted	Granted
Land Use Rights Term (years)	50	50	50	50
Consideration (RMB)	1,130,000	1,110,000	600,000	1,140,000
Site Unit Rate (RMB/sqm)	**271**	**275**	**334**	**285**
Date	Oct-2025	Oct-2025	Sept-2025	Sept-2025
Adjustment				
Time	4.2%	4.2%	5.8%	5.8%
Location	0.0%	0.0%	0.0%	0.0%
Land Use	0.0%	0.0%	0.0%	0.0%
Size for Land Parcel 1	(18.6%)	(18.6%)	(19.0%)	(18.6%)
Size for Land Parcel 2	0.3%	0.3%	(0.2%)	0.3%
Land Use Rights Term Adjustment for Land Parcel 1	0.87	0.87	0.87	0.87
Land Use Rights Term Adjustment for Land Parcel 2	0.96	0.96	0.96	0.96
Adjusted Site Unit Rate for Land Parcel 1 (RMB/sqm)	**199**	**202**	**248**	**212**
Adjusted Site Unit Rate for Land Parcel 2 (RMB/sqm)	**272**	**276**	**340**	**291**

The unit rates of the adopted infrastructure land sale comparables are ranging from RMB300 to RMB341 per sq.m. on the basis of site area. After due adjustments in terms of different attributes including time, location, usage, size and land use rights term, the unit rates of the adopted comparables are adjusted to a range of RMB215 to RMB259 per sq.m. on the basis of site area, which are then weighted evenly to derive the unit rate of RMB236 per sq.m. for the land parcels held under the Real Estate Title Certificates, Yun (2019) Long Yang Qu Bu Dong Chan Quan Di No. 0006765.

The following table shows the details of land sale comparables with the adopted adjustments:

	Comparable 1	Comparable 2	Comparable 3
Lot No.	**2025-G-24**	**2025-G-08**	**532622101207JA00003-3**
Address	Tadi Village, Jianglong Street Town	Lianchi Village, Yijiu Town	Tinghu Community, Jiangna Town
District	Dayao County	Yongren County	Yanshan County
City	Chuxiong Yi Autonomous Prefecture	Chuxiong Yi Autonomous Prefecture	Wenshan Zhuang and Miao Autonomous Prefecture
Province	Yunnan	Yunnan	Yunnan
Site Area (sqm)	15,692.00	15,889.00	24,023.00
Permitted Uses	Power supply	Power supply	Water Supply
Land Use Rights	Granted	Granted	Granted
Land Use Rights Term (years)	50	50	50
Consideration (RMB)	5,130,000	4,770,000	8,180,000
Site Unit Rate (RMB/sqm)	**327**	**300**	**341**
Date	Dec-2025	Dec-2025	Oct-2025
Adjustment			
Time	0.0%	0.0%	4.2%
Location	0.0%	0.0%	0.0%
Land Use	0.0%	0.0%	0.0%
Size	(19.8%)	(19.8%)	(18.2%)
Land Use Rights Term			
Adjustment	**0.89**	**0.89**	**0.89**
Adjusted Site Unit Rate (RMB/sqm)	**234**	**215**	**259**

Market value of the land portion of the property is approximately RMB51,800,000 in total.

9. In the course of our valuation of the building portion of the property, we have calculated the current replacement cost of the buildings and then made deductions for physical deterioration and all other relevant forms of obsolescence.

The adopted depreciated replacement unit cost is approximately RMB895 per sq.m. subject to the total GFA of approximately 21,001.35 sq.m.. The market value of the building portion of property is approximately RMB18,800,000.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the Fixed Assets. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
Units 1602-4, 16/F
308 Central Des Voeux
No. 308 Des Voeux Road Central
Hong Kong

VINCORN
appraisal • brokerage • consulting

The Board of Directors
Huazhang Technology Holding Limited
Suite 901, 9/F,
Ocean Centre,
5 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

3 February 2026

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the machinery and equipment, structures, electronic equipment and software ("**Fixed Assets**") held by Baoshan Xingshengtai Paper Co., Ltd., located at Laoying Village, Wayao Town, Longyang District, Baoshan, Yunnan Province, The PRC. for the purpose of public disclosure. We confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the Fixed Assets as at 31 December 2025 (the "**Valuation Date").**

VALUATION STANDARDS

The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2025 published by the International Valuation Standards Council, where applicable; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" in accordance with International Valuation Standards published by the International Valuation Standards Council.

VALUATION ASSUMPTIONS

For the purpose of determining the market value of the Subject, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

The useful lives of the Fixed Assets are as follows:

Fixed Assets	**Useful Lives** *(Years)*
Machinery and Equipment	15
Structures (excluding Reservoir Dam)	20
Structures (Reservoir Dam)	60
Electronic Equipment	5
Software	10

The residual values of the Fixed Assets are as follows:

Fixed Assets	**Residual Value** *(% of the adjusted cost)*
Machinery and Equipment	5%
Structures	5%
Electronic Equipment	5%
Software	0%

The current financial, economic, taxation, market and political conditions which prevail in the regions in which the Fixed Assets was issued and subscribed will have no material change; and

The information regarding the Fixed Assets provided by the Management is true and accurate; and

There are no hidden or unexpected conditions associated with the Fixed Assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION METHODOLOGY

When valuing the Fixed Assets, we have considered that asset approach was appropriate for valuing heavy and customized machineries which cannot adopt market approach, given that participants would be able to recreate the asset with substantially the same utility as the Fixed Assets, without regulatory or legal restrictions.

Asset Approach values the asset by reference to the accumulating costs that would be incurred in order to replace or reproduce the asset in its current condition.

We have considered that market approach was not appropriate for valuing the Fixed Assets which recent sales or offerings could not be found with the same or similar terms and conditions compared with the Fixed Assets.

We have also considered that the income approach is not optimal to value the Fixed Assets as this approach involves financial forecast information and the adoption of more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

Asset approach is generally applied to the valuation of real property interests through the depreciated replacement cost method. It is normally used when there is either no evidence of transaction price for similar property or no identifiable actual or notional income stream that would accrue to the owner of the relevant interest. It is principally used for the valuation of specialized asset, which is property that is rarely if ever sold in the market, except by way of sale of the business or entity for which the property is part of the business.

INFORMATION SOURCES

In conducting our valuation of the Fixed Assets, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

- The assets list in respect of the Fixed Assets and relevant information provided by the Management, including the type of Fixed Assets and acquisition dates; and
- S&P Capital IQ database.

We have also been advised by the Group that no material factors or information have been omitted or withheld from information supplied and consider that we have been provided with sufficient information to reach an informed view. We have not conducted any site visits or inspections of the Fixed Assets. We believe that the assumptions used in preparing our valuation are reasonable and have no reason to doubt the truth and accuracy of information provided to us by the management which is material to the valuation.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("**RMB**").

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited

Freddie Chan
CFA ACCA FRM MRICS
Certified ESG Planner CEP®
RICS Registered Valuer
Executive Director

Vincent Cheung
BSc(Hons) MBA FHKIS FRICS R.P.S.(GP)
MCIREA MHKSI MISCM MHIREA FHKIoD
RICS Registered Valuer
Registered Real Estate Appraiser & Agent PRC
Certified ESG Planner CEP®
Managing Director

Note:

Vincent Cheung is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors, a Registered Real Estate Appraiser and Agent People's Republic of China and a Certified ESG Planner CEP®. He is suitably qualified to carry out the valuation and has over 28 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

Freddie Chan is a Member of the Chartered Financial Analyst Institute, Member of Association of Chartered Certified Accountants, Financial Risk Manager, Member of the Royal Institution of Chartered Surveyors, Certified ESG Planner CEP® and Registered Valuer of the Royal Institution of Chartered Surveyors. He has gained over 17 years of experience in the valuation and finance field and has been involved in valuation projects located in Hong Kong, Mainland China and other countries around the world.

VALUATION CERTIFICATE

The Market Value of Fixed Assets held by Baoshan Xingshengtai Paper Co., Ltd. as at 31 December 2025

Valuation Date: 31 December 2025	**Market Value** *(RMB)*
Machinery and Equipment	105,743,503
Structures	38,002,009
Electronic Equipment	19,692
Software	95,473
Total Market Value of the Fixed Assets	143,860,677
Total Market Value of the Fixed Assets (rounded)	**144,000,000**

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS IN SECURITIES

Interests and short positions of Directors and chief executive in Shares, underlying shares and debentures of the Company or its associated corporation

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

Long positions in the Shares and/or underlying Shares

Name of directors	Capacity/ Nature of interest	Number of Shares and/or underlying Shares held	Approximate percentage of shareholdings[3]
Mr. Fang Hui	Interest of a controlled corporation	650,331,027[1]	40.74%
	Beneficial owner	11,100,000	0.70%
Mr. Chen Hongwei	Beneficial owner	273,000	0.02%
	Beneficial owner	553,359[2]	0.03%
Mr. Cai Haifeng	Beneficial owner	553,360[2]	0.03%
Mr. Heng, Keith Kai Neng	Beneficial owner	332,016[2]	0.02%
Mr. Yao Yang Yang	Beneficial owner	332,016[2]	0.02%
Ms. Zhang Dong Fang	Beneficial owner	332,016[2]	0.02%

Notes:

1. The 650,331,027 Shares are registered in the name of Dao He Investment Limited, a company wholly and beneficially owned by Mr. Fang Hui. Under the SFO, Mr. Fang Hui is deemed to be interested in all the Shares held by Dao He Investment Limited.

2. These are interests in underlying Shares which represent the interests in share options granted to the respective Directors by the Company under the share option scheme adopted by the Company on 10 February 2022.

3. The percentage has been calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date (i.e. 1,596,134,067 Shares) and rounded to two decimal places.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest or short position 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 would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which would be required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors were aware, persons/corporations (other than the Directors and the chief executive of the Company) which had interests and short positions in the shares and underlying shares of the Company or its associated corporations which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name of substantial shareholders	Capacity/ Nature of interest	Number of Shares and/or underlying Shares held	Approximate percentage of shareholdings[4]
Dao He Investment Limited	Beneficial owner	650,331,027[1]	40.74%
Wealthy Land Investments Group Limited	Having a security interest in shares	123,964,000	7.77%
	Beneficial owner	230,326,400	14.43%
Mr. Yeung Wai	Interest of a controlled corporation	354,290,400[2]	22.20%
Mr. Yeung Yun Chuen	Interest of a controlled corporation	354,290,400[2]	22.20%
Mr. Shi Chenghu	Beneficial owner	89,452,000	5.60%

Notes:

1. The Shares are registered in the name of Dao He Investment Limited, a company wholly and beneficially owned by Mr. Fang Hui, who is also its sole director.

2. Wealthy Land Investments Group Limited ("**Wealthy Land**") is owned as to 42.00% by Mr. Yeung Wai and as to 36.00% by Mr. Yeung Yun Chuen. Under the SFO, Mr. Yeung Wai and Mr. Yeung Yun Chuen are deemed to be interested in all the Shares held by Wealthy Land.

3. The percentage had been calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date (i.e. 1,596,134,067 Shares) and rounded to two decimal places.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons/corporations (other than the Directors and the chief executive of the Company) in the shares or underlying shares of the Company or its associated corporations which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under Section 336 of the SFO or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

Interests in competing interests

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in any business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Group.

Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which was significant in relation to the business of the Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest 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 30 June 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. DIRECTORS' SERVICE CONTRACTS

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

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date are or may be material:

(a) the Restructuring Agreement; and

(b) a debt transfer agreement* (債權轉讓合同) entered into between Yunnan Asset Management Company Limited* (雲南省資產管理有限公司) as seller and Huazhang Taizhou as purchaser on 17 December 2025 in relation to the Creditor's Rights Acquisition. For details of the said debt transfer agreement, please refer to the Company's announcement dated 17 December 2025.

7. LITIGATION

(a) Zhejiang Huazhang received a first instance judgment (the "**Judgment**") dated 24 December 2021 handed down by the Intermediate People's Court of Chuxiong Yi Autonomous Prefecture of Yunnan Province (雲南省楚雄彝族自治州中級人民法院) (the "**Court**") in the PRC in relation to a contractual dispute between Hubei Industrial Construction Group Installation Engineering Company Limited (湖北省工業建築集團安裝工程有限公司) as plaintiff and Yunnan Yunhong Paper Company Limited (雲南雲泓紙業有限公司) as defendant. Zhejiang Huazhang was also named as a co-defendant in the legal proceedings. Zhejiang Huazhang had lodged an appeal application (the "**Appeal Application**") with the Higher People's Court of Yunnan Province (雲南省高級人民法院) (the "**Appeal Court**") against the Judgment. The Appeal Application was approved on 22 August 2022 whereby the Appeal Court ordered, among other things, to set aside the Judgement and the legal proceedings in question be retried at the Court. The Judgment has been set aside and will not be enforced, but the order made on 12 January 2022 to freeze the aggregate amount of approximately RMB37.6 million in the bank accounts will remain in full force as ordered thereunder. Details of the legal proceedings were set out in the Company's announcements dated 21 January 2022 and 9 September 2022, respectively.

(b) The Debtor Company is currently undergoing a bankruptcy restructuring pursuant to the bankruptcy laws of the PRC and under the supervision of the Longyang Court. On 6 April 2023, three Independent Third Parties petitioned for the bankruptcy restructuring of the Debtor Company for the reason that the assets of the Debtor Company were encumbered rendering it unable to continue operation or repay its debts as they fall due and the shareholders' equity was insufficient to cover its debts, showcasing difficulties in continuous business operation. On the same date, the

Longyang Court ruled to accept the petition. On 5 June 2023, the Longyang Court issued a notice which stated that the Administrator was selected and appointed as the administrator of the Debtor Company's bankruptcy restructuring proceedings.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, save as disclosed above, the Enlarged Group was not engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Beijing Deheng (Kunming) Law Firm (北京德恒(昆明)律師事務所)	Legal advisers as to the laws of the PRC
KTC Partners CPA Limited	Certified Public Accountants
Vincorn Consulting and Appraisal Limited	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or opinion (as the case may be) and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been, since 30 June 2025, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any members of the Group.

Each of (i) the accountants' report of KTC Partners CPA Limited, (ii) the Property Valuation Report, and (iii) the Asset Valuation Report, is given as of the date of this circular for incorporation herein.

9. MISCELLANEOUS

(a) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

(b) The company secretary of the Company is Ms. Yeung Wing Yan, who is an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute.

(c) The principal place of business of the Company in Hong Kong is at Suite 901, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(d) The head office and principal place of business in the PRC is at Room 1101, Block 2, Canal Advertising Industry Building, No. 99 Xiangyuan Road, Gongshu District Hangzhou City, Zhejiang Province, the PRC.

(e) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111, Cayman Islands.

(f) The principal share registrar and transfer office of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(g) The share registrar of the Company in Hong Kong is Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (www.hzeg.com) for a period of 14 days from the date of this circular:

(i) the accountants' report of the Debtor Company from the reporting accountants, KTC Partners CPA Limited, the text of which is set out in Appendix II to this circular;

(ii) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Transaction from the reporting accountants, KTC Partners CPA Limited, the text of which is set out in Appendix IV to this circular;

(iii) the valuation report on property interests prepared by Vincorn Consulting and Appraisal Limited, the text of which is set out in Appendix V to this circular;

(iv) the valuation report on fixed assets prepared by Vincorn Consulting and Appraisal Limited, the text of which is set out in Appendix VI to this circular;

(v) the material contracts mentioned in the paragraph headed "Material Contracts" in this Appendix;

(vi) the written consents referred to in the paragraph headed ''Experts and Consents'' in this Appendix; and

(vii) this circular.

HUAZHANG TECHNOLOGY HOLDING LIMITED
華章科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1673)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Huazhang Technology Holding Limited (the "**Company**" together with its subsidiaries, the "**Group**") will be held at Suite 901, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Hong Kong on Friday, 27 February 2026 at 11:00 a.m. for the following purposes:

AS ORDINARY RESOLUTION

To consider and, if thought fit, to pass with or without modification the following ordinary resolution:

"**THAT**

(a) the restructuring investment agreement (重整投資協議) (the "**Restructuring Agreement**") dated 28 July 2025 entered into between the Administrator (as defined in the Restructuring Agreement), Zhejiang Huazhang Technology Limited* (浙江華章科技有限公司) and Baoshan Xingshengtai Paper Co., Ltd.* (保山鑫盛泰紙業有限公司) (the "**Debtor Company**") in respect of the Group's participation in the bankruptcy restructuring proceedings of the Debtor Company, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the investment amount payable by the Group under the Restructuring Agreement not exceeding RMB112,000,000 be and is hereby approved; and

(c) any one director of the Company (the "**Director**") be and is hereby authorised to do all such acts and things as the Director in his or her sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Restructuring Agreement and the transactions contemplated thereunder."

* *for identification purpose only*

By order of the Board
HUAZHANG TECHNOLOGY HOLDING LIMITED
Fang Hui
Chairman

Hong Kong, 3 February 2026

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Suite 901, 9/F
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Hong Kong

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company.

(2) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

(3) A form of proxy for use at the meeting is enclosed.

(4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or adjourned meeting.

(5) The record date for determining the entitlement of the holders of Shares to attend and vote at the EGM will be Friday, 27 February 2026. For the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 23 February 2026 (Monday) to 27 February 2026 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 20 February 2026 (Friday) for registration.

(6) According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the voting at the EGM will be taken by poll.

As at the date of this notice, the executive Directors are Mr. Fang Hui (Chairman), Mr. Chen Hongwei and Mr. Cai Haifeng and the independent non-executive Directors are Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang.