THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is issued by CHTC Fong's International Company Limited (the "**Company**").

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

If you have sold or transferred all your shares in the Company, you should at once hand this circular and 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 the transferee.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

(1) PROPOSED VERY SUBSTANTIAL DISPOSAL IN RELATION TO CUICHENG ROAD LAND RESUMPTION AND (2) NOTICE OF SPECIAL GENERAL MEETING

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A notice convening the SGM of the Company to be held at Unit 2204, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong on Thursday, 28 May 2026 at 10:30 a.m. (or so soon thereafter as the annual general meeting convened for the same date and place at 10:00 a.m. shall have been concluded or adjourned) or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use in the SGM is enclosed.

Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at Units 2201 & 2203, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

30 April 2026

CONTENTS

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

"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"Company"	CHTC Fong's International Company Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Cuicheng Road Land" or the "Resumed Land"	a land parcel with the real estate certificate no. of Yue (2017) Zhongshan City Real Estate No. 0087209* (粵(2017)中山市不動產權第0087209號) encompassing an aggregate site area of approximately 133,333.3 m^2. located at 101 Cuicheng Road, Cuiheng New District, Zhongshan City, Guangdong Province, the PRC, together with the buildings and structures located on the land, which is owned by MF Zhongshan as at the Latest Practicable Date
"Cuicheng Road Land Resumption"	the resumption of Cuicheng Road Land under the Cuicheng Road Land Resumption Agreement
"Cuicheng Road Land Resumption Agreement"	the resumption agreement regarding state-owned land use rights* (國有土地使用權收回協議) in relation to Cuicheng Road Land which is proposed to be entered into between MF Zhongshan, Zhongshan LRC and Zhongshan Cuiheng NDMC
"Director(s)"	the directors of the Company
"FNE Guangdong"	Fong's National Engineering (Guangdong) Co., Ltd.* (立信染整機械(廣東)有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
"FY2023"	the financial year ended 31 December 2023
"FY2024"	the financial year ended 31 December 2024

"FY2025"	the financial year ended 31 December 2025
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	29 April 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"m^2" or "sqm"	square metre(s)
"MF Zhongshan"	Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.* (立信門富士紡織機械(中山)有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company, which is 100% held by Monforts Fong's Textile Machinery Co., Ltd., and in turn is 100% held by the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Remaining Group"	the Group after completion of the Cuicheng Road Land Resumption
"Reporting Accountants"	SHINEWING (HK) CPA Limited, the reporting accountants of the Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
"SGM"	the special general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, approve the Cuicheng Road Land Resumption Agreement and the transactions contemplated thereof

"SINOMACH"	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company established in the PRC and the ultimate controlling shareholder of the Company
"Shareholder(s)"	the registered holder(s) of the ordinary share(s) of HK$0.05 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Codes"	the Codes on Takeovers and Mergers and Share Buy-backs
"Xiangshan Avenue Land"	the portion of the land parcel with the real estate certificate no. of Yue (2024) Zhongshan City Real Estate No. 0574492* (粵(2024)中山市不動產權第0574492號) encompassing an aggregate site area of approximately 47,446.8 m^2, and located at 9 Xiangshan Avenue, Cuiheng New District, Zhongshan City, Guangdong Province, the PRC, together with the buildings and structures located on the land, which is owned by FNE Guangdong as at the Latest Practicable Date
"Xiangshan Avenue Land Resumption"	the resumption of Xiangshan Avenue Land under the Xiangshan Avenue Land Resumption Agreement
"Xiangshan Avenue Land Resumption Agreement"	the resumption agreement regarding state-owned land use rights* (國有土地使用權收回協議) in relation to Xiangshan Avenue Land which is proposed to be entered into between FNE Guangdong, Zhongshan LRC and Zhongshan Cuiheng NDMC
"Zhongshan Cuiheng NDMC"	Zhongshan Cuiheng New District Management Committee* (中山翠亨新區管理委員會), being a governmental agency established by the Zhongshan City Municipal Government
"Zhongshan LRC"	Zhongshan City Land Reserve Centre* (中山市土地儲備中心), being a departmental centre under the Zhongshan NRB
"Zhongshan NRB"	Zhongshan City Natural Resources Bureau* (中山市自然資源局), a governmental department of the Zhongshan City Municipal Government
"%"	per cent

Notes:

1. * For identification purpose only

2. For the purpose of this circular and for illustrative purpose only, RMB is converted into HK$ at the rate of HK$1.00 to RMB0.90322. No representation is made that any amounts in RMB has been or could be converted at the above rate or at any other rates.

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

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

Executive Directors:
Mr. Guan Youping *(Chairman)*
Mr. Chen Peng *(General Manager)*

Non-executive Director:
Mr. Fong Kwok Leung, Kevin

Independent Non-executive Directors:
Mr. Tong Wing Chi
Dr. Jiang Gaoming
Dr. Chen Ying

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

Principal place of business:
Units 2201 & 2203
Orient International Tower
1018 Tai Nan West Street
Cheung Sha Wan, Kowloon
Hong Kong

30 April 2026

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED VERY SUBSTANTIAL DISPOSAL IN RELATION TO CUICHENG ROAD LAND RESUMPTION AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to (i) the announcement of the Company dated 11 April 2025 in respect of the proposed very substantial disposal in relation to, inter alia, the Cuicheng Road Land Resumption ("**Announcement**"); and (ii) the announcement of the Company dated 14 May 2025 regarding the termination notice in relation to the Xiangshan Avenue Land Resumption.

The purpose of this circular is to provide you with (i) further information in relation to the Cuicheng Road Land Resumption; (ii) an independent valuation report in relation to the Resumed Land; (iii) the notice convening the SGM; and (iv) other information as required under the Listing Rules.

BACKGROUND

MF Zhongshan, an indirect wholly-owned subsidiary of the Company, intends to enter into the Cuicheng Road Land Resumption Agreement with Zhongshan LRC and Zhongshan Cuiheng NDMC in respect of the Cuicheng Road Land Resumption. Pursuant to the Cuicheng Road Land Resumption Agreement, MF Zhongshan shall surrender the land use rights of the Cuicheng Road Land to Zhongshan LRC and will receive a cash compensation of RMB308,060,000 (equivalent to approximately HK$341,069,000).

CUICHENG ROAD LAND RESUMPTION AGREEMENT

The principal terms of the Cuicheng Road Land Resumption Agreement are summarised as follows:

Effective Date

The Cuicheng Road Land Resumption Agreement shall take effect from the date of signing. MF Zhongshan is expected to enter into the Cuicheng Road Land Resumption Agreement after the Company has obtained the Shareholders' approval for the Cuicheng Road Land Resumption at the SGM. The Company will comply with the applicable requirements under the Listing Rules when the Cuicheng Road Land Resumption Agreement is formally signed or when there is any material change to the terms of the Cuicheng Road Land Resumption Agreement.

Parties

(a) MF Zhongshan (an indirect wholly-owned subsidiary of the Company);

(b) Zhongshan LRC; and

(c) Zhongshan Cuiheng NDMC.

Pursuant to the Cuicheng Road Land Resumption Agreement, MF Zhongshan shall surrender, and Zhongshan LRC shall resume, the land use rights of the Cuicheng Road Land (including the land and the buildings and structures located on the Cuicheng Road Land).

Information of the Resumed Land

The Cuicheng Road Land represents the entire parcel of land owned by MF Zhongshan with an aggregate site area of approximately 133,333.3 m^2 located at 101 Cuicheng Road, Cuiheng New District, Zhongshan City, Guangdong Province, the PRC. As at the Latest Practicable Date, the major buildings and structures located on the Cuicheng Road Land include, among others, three manufacturing plants with an aggregate site area of 57,829 m^2, designated for the manufacture and production of dyeing and finishing machinery, offices, a canteen, a hazardous material warehouse and guardrooms. These buildings and structures were constructed by MF Zhongshan between 2012 to 2018.

Furthermore, as at the Latest Practicable Date, the manufacturing plants on the Cuicheng Road Land are still in operation, with more than 490 employees at the manufacturing plants and offices. For the year ended 31 December 2025, approximately HK$707,438,000 dyeing and finishing machinery were manufactured at these manufacturing plants by MF Zhongshan, and the percentage of total revenue attributable to the Cuicheng Road Land amounted to approximately 33% of the total revenue of the Group for the year ended 31 December 2025.

Compensation and payment terms

Pursuant to the Cuicheng Road Land Resumption Agreement, the total compensation payable to MF Zhongshan for the Cuicheng Road Land Resumption is RMB308,060,000 (equivalent to approximately HK$341,069,000) ("**Cuicheng Compensation**"), which shall be payable in cash by Zhongshan Cuiheng NDMC to MF Zhongshan by instalments in the following manner:

(i) *First instalment:* payment of the first instalment in the amount of RMB92,418,000 (equivalent to approximately HK$102,321,000) shall be made within 30 days from the date that (1) MF Zhongshan receives the written notice from Zhongshan Cuiheng NDMC regarding payment of the first instalment of Cuicheng Compensation; and (2) the completion of registration for the cancellation of mortgage rights on the Cuicheng Road Land by MF Zhongshan;

(ii) *Second instalment:* payment of the second instalment in the amount of RMB61,612,000 (equivalent to approximately HK$68,214,000) shall be made within 30 days from the date MF Zhongshan submits the land resumption application to Zhongshan NRB;

(iii) *Third instalment:* payment of the third instalment in the amount of RMB92,418,000 (equivalent to approximately HK$102,321,000) shall be made within 30 days from the date MF Zhongshan completes the procedures regarding resumption of land and obtains the Written Decision of Administrative Disposition* (行政處理決定書) ("**Written Decision**"). The Written Decision is a written record typically issued as part of the resumption process for state-owned land-use rights. MF Zhongshan shall submit the prescribed application form and other supporting documents, such as valuation report, signed Cuicheng Road Land Resumption Agreement, to the government authorities to obtain such Written Decision; and

(iv) *Fourth instalment:* payment of the fourth instalment in the amount of RMB61,612,000 (equivalent to HK$68,214,000) shall be made within 60 days from (1) the date that MF Zhongshan completes the payment of corresponding tax and obtains a verification form from the relevant tax authority; and (2) the date of completion of payment of the second and third instalments by Zhongshan Cuiheng NDMC to MF Zhongshan, whichever is later. This payment shall be made to a bank account jointly supervised by Zhongshan Cuiheng NDMC and MF Zhongshan that does not bear interest and the parties will not subject to administrative fees among the parties in the case that the

Cuicheng Road Land Resumption does not proceed, which will be released to MF Zhongshan upon the signing of land resumption confirmation between MF Zhongshan, Zhongshan LRC and Zhongshan Cuiheng NDMC.

Most of the documents relevant to the instalment payments are within the control of MF Zhongshan. In particular, for the first instalment, the deregistration of the mortgage over the Cuicheng Road parcel will be handled by MF Zhongshan, and the Company does not expect any impediments on such process, and no cost will be associated with the cancellation of mortgage rights. If the mortgage deregistration cannot be completed within three months after MF Zhongshan receives written notice from Zhongshan Cuiheng NDMC regarding the payment of the first instalment (as set out in (i) above), MF Zhongshan shall give Zhongshan LRC and Zhongshan Cuiheng NDMC written notice and agree an extended deadline. If no agreement is reached, Zhongshan LRC and Zhongshan Cuiheng NDMC will be entitled to terminate the Cuicheng Road Land Resumption Agreement.

Similarly, the submission of the land application for the second instalment, and the payment of the corresponding taxes, will be a matter of procedure to be completed by MF Zhongshan. Once the relevant taxes have been paid in full, the competent tax authority is expected to issue a verification form confirming payment.

As regards the third instalment, which requires obtaining the Written Decision, the principal supporting application materials, including the signed and executed Cuicheng Road Land Resumption Agreement and the Real Estate Title Deed (不動產權證) are mandatory for the land resumption. The ancillary materials, including valuation report and signed Cuicheng Road Land Resumption Agreement will also be prepared by MF Zhongshan itself. Accordingly, the Company does not currently foresee any impediment in preparing all required materials for obtaining the Written Decision. If, however, the Written Decision cannot be obtained for reasons attributable to MF Zhongshan, MF Zhongshan shall pay liquidated damages to Zhongshan Cuiheng NDMC at a rate of 0.1% per day of the aggregate amount already paid by Zhongshan Cuiheng NDMC. At the same time, the remaining instalment deadlines for Zhongshan Cuiheng NDMC will be extended accordingly.

The Cuicheng Compensation was determined after arm's length negotiation between Zhongshan LRC, Zhongshan Cuiheng NDMC and MF Zhongshan, with reference to the laws, regulations and procedures applicable to the resumption of state-owned lands in Zhongshan City, Guangdong Province, the PRC and the valuation report in respect of the Cuicheng Road Land issued by an independent professional valuer, which has assessed the value of the Cuicheng Road Land in the amount of approximately RMB306,879,085, as at 31 January 2026 based on cost approach, with the land acquisition price determined using both the market approach and benchmark land price adjustment method. The valuation, alongside with the Cuicheng Compensation, has also taken into account the potential loss of profit for MF Zhongshan due to the temporary suspension of manufacturing and production of dyeing and finishing machinery during the relocation of its manufacturing plants amounting to approximately RMB15,827,000. Please see below a dollar-by-dollar reconciliation of the breakdown of valuation against the Cuicheng Compensation for reference:

	Valuation		
Items		**Appraised value**	**Cuicheng Compensation**
		(RMB)	*RMB*
1.	Land use rights	203,999,949	308,060,000
2.	Construction (structures)	84,230,724	
3.	Young Crops	2,821,200	
4.	Losses due to suspension of business and production	15,827,212	
Total		306,879,085	

The valuation methods adopted by the independent professional valuer were selected by them with reference to the development of the local real estate market and the characteristics of the valuation subject and purpose of the valuation. Specifically, the cost approach was adopted as the subject properties are industrial factory buildings construed on the land acquired by the Group, making their cost relatively straightforward to be estimated. For the assessment of the land's replacement cost, market approach was used due to the active transaction market and availability of comparable transactions precedents involving land of similar use. Additionally, as the subject properties are located within the benchmark land price coverage area of Zhongshan City, the benchmark land price adjustment method was also applied.

The Directors, except Mr. Fong Kwok Leung, Kevin ("**Mr. Fong**"), consider that the terms of the Cuicheng Road Land Resumption Agreement (including the amount of Cuicheng Compensation) are fair, reasonable and in the interest of the Company and the Shareholders as a whole.

Given the substantial size of, and compensation amount involved in, the Cuicheng Road Land Resumption, the Board has carefully assessed whether the independent valuer's report is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. In conducting this assessment, the Board reviewed and discussed the methodologies, assumptions and key inputs adopted by the valuers as set out in their reports, and obtained and reviewed the relevant PRC legal opinion referred to in the valuation report. The Board notes that the agreed Cuicheng Compensation of RMB308,060,000 is slightly higher than the appraised value of approximately RMB306,879,085, as assessed by the valuer as at 31 January 2026, by approximately RMB1,180,915, which is favourable to the Company. The Board also reviewed the breakdown of items included in the valuation, and considered that the appraised value not only covers the land itself, but has also comprehensively covered the buildings and structures on the land, the young crops, and has also prudently taken into account the losses due to the temporary suspension of business and production during the relocation period. Therefore, the loss and value of the Cuicheng Road Land has been fully reflected in the Cuicheng Compensation, and given the compensation amount being in excess of the corresponding appraised value, it is in the interest of the Company and its Shareholders as a whole.

In addition, the Directors did not rely solely on the valuation reports, but exercised independent judgment by critically assessing the fairness of the Cuicheng Compensation, including by reviewing the following recent comparable land resumption case, so as to reach a balanced and robust view of the valuation:

The Company has also separately engaged independent financial advisers to review the fairness and reasonableness of the Cuicheng Road Land Resumption, and particularly reviewed and provided their opinions on the fairness and reasonableness of the valuation report.

Accordingly, taking into account that (i) the Cuicheng Compensation represents a premium over the unit price of the comparable transaction; (ii) the comparable transaction involved land of a similar use type and in close proximity to the Cuicheng Road Land, and accordingly provides a relevant and meaningful market benchmark against which to assess the Cuicheng Compensation; and (iii) the opinion of the independent financial advisers, the Directors, other than Mr. Fong, consider that the valuation is fair and reasonable and that the amount of the Cuicheng Compensation is in the interests of the Company and the Shareholders as a whole.

	Comparable case reviewed
Parcel No.	G25-2025-0001
Location	Lanbian Village, Nanlong Street, Zhongshan City (中山市南朗街道欖邊村)
Land Use Type	Industrial (Standard Land)
Land Area *(sq.m.)*	26,431.97
Transaction Date	2 April 2025
Total Transaction Price *(RMB)*	RMB39,647,800
Price per sqm	RMB1,500.0/sqm

In conducting its assessment, the Board examined the transaction price per square metre implied by the comparable transaction set out above, and noted that the Cuicheng Compensation, i.e. RMB1,530 per square metre, similar to the comparable transaction. In the selection of the comparable transaction, the Board took into account the land use type, location, transaction method and transaction date of the comparable transaction, and considered these factors to be broadly consistent with those of the Cuicheng Road Land, thus providing a meaningful reference point for assessing the reasonableness of the Cuicheng Compensation. Further, given the few number of industrial land use rights transactions in the same area, and the similar transaction price and factors between the comparable transaction and Cuicheng Road Land, the Board is of the view that the comparable transaction is sufficient for assessing the fairness and reasonableness of the Cuicheng Compensation. Based on its review, the Board concluded that the unit land price implied by the recent comparable transaction in the Zhongshan City area is supportive of the level of compensation reflected in the Cuicheng Compensation.

In addition to the three market comparables that the valuer has used in the valuation report, the valuer also looked into all industrial land use rights transactions in Cuicheng New District from 2022 to 31 January 2026. There were no such transactions in 2026, one such transaction in 2025, no such transactions in 2024, three such transactions in 2023, and one such transaction in 2022. The average unit land price for these transactions was RMB1,575/sqm. The valuer concluded that the unit land price for industrial land in Cuicheng New District to be stable and consistent in recent years, and as only transactions in the preceding two years can be selected as comparable transactions, therefore the three market comparables identified are sufficient and representative when assessing the fairness and reasonableness of the Cuicheng Compensation.

Having taken into account the valuer's review of all industrial land use rights transactions Cuicheng New District in recent years, together with the Board's assessment of the selection criteria and assumptions adopted in the valuation of the Resumed Land, together with the transaction price of the comparable transaction, the Board is of the view that the Cuicheng Compensation, being RMB1,530/sqm, is similar and consistent to all industrial land use rights transactions located in the same area in recent years, and therefore is on normal commercial terms and in the interests of the Company and the shareholders as a whole.

Transfer of rights of Resumed Land

MF Zhongshan shall complete the registration for the cancellation of mortgage rights on the Resumed Land within three months of receiving the written notice from Zhongshan Cuiheng NDMC regarding the payment of the first instalment of the Cuicheng Compensation. As at 31 December 2025, the book value of the mortgage rights amounted to RMB108.24 million.

Additionally, MF Zhongshan is required to submit the land resumption application to Zhongshan NRB within 10 days of receiving the first instalment of the Cuicheng Compensation, and complete the registration of land resumption according to the applicable laws and regulations within six months, thereby allowing Zhongshan LRC to register the Resumed Land as reserve land of the Zhongshan government.

Furthermore, MF Zhongshan shall complete the clearance and reclamation of the Resumed Land, including the removal of all properties and assets in the buildings on the Resumed Land within 10 days from the date of payment of the fourth instalment into a bank account jointly supervised by Zhongshan Cuiheng NDMC and MF Zhongshan, and enter into the land resumption confirmation with Zhongshan LRC and Zhongshan Cuiheng NDMC. The cost associated with the removal of properties and assets in the building on the Resumed Land is approximately RMB4.93 million. Furthermore, as at 31 December 2025, the book value of the properties and assets in the building on the Resumed Land amounted to RMB73.14 million.

If MF Zhongshan fails to vacate the Resumed Land (by removing all properties and assets in the buildings on the Resumed Land) and enter into the land resumption confirmation according to the abovementioned schedule, it will be deemed as waiving its ownership on all relevant properties and assets inside the buildings on the Resumed Land. The Company will endeavour to vacate the properties and assets inside the buildings in order to preserve its ownership rights and recover the value of such assets. Since the relocation is proposed to commence in early May 2026 and be completed in end of June 2026 no valuable properties and assets is expected to remain in the buildings on the Resumed Land by the time it is expected to vacate the Resumed Land.

Termination

If, one year after the Cuicheng Road Land Resumption Agreement takes effect, Zhongshan Cuiheng NDMC has not issued a formal written notice regarding payment of the first instalment of the Cuicheng Compensation (unless the delay is attributable to Zhongshan LRC), any of MF Zhongshan, Zhongshan LRC or Zhongshan Cuiheng NDMC may terminate the agreement without liability for breach.

During the period between execution of the Cuicheng Road Land Resumption Agreement and payment of the first instalment by Zhongshan Cuiheng NDMC, if the Cuicheng Road Land is seized, frozen, auctioned or sold by any court, administrative body or other state authority so that the agreement cannot be performed, MF Zhongshan will be in breach and Zhongshan Cuiheng NDMC may terminate the agreement. MF Zhongshan shall pay liquidated damages equal to 5% of the Cuicheng Compensation.

If Zhongshan Cuiheng NDMC has paid any instalment and, during the period between instalments, the Cuicheng Road Land is seized, frozen, auctioned or sold by any court, administrative body or other state authority so that the agreement cannot be performed, MF Zhongshan will be in breach and Zhongshan Cuiheng NDMC may terminate the agreement and demand repayment of all Cuicheng Compensation instalments paid. MF Zhongshan shall also pay liquidated damages equal to 5% of the Cuicheng Compensation. If MF Zhongshan delays repayment, it shall pay a daily penalty of 0.1% of the Cuicheng Compensation from the date of Zhongshan Cuiheng NDMC's written demand until full repayment.

In addition, if MF Zhongshan fails to complete deregistration of mortgage rights over the Resumed Land, to assist with submission and completion of the land resumption application and registration, to vacate the Resumed Land and enter into the land resumption confirmation, indicates non performance of any of the foregoing by its conduct, or breaches any representation under the Cuicheng Road Land Resumption Agreement, MF Zhongshan will be in breach and shall pay liquidated damages equal to 5% of the Cuicheng Compensation. Zhongshan Cuiheng NDMC may elect to continue performance or terminate the agreement. If performance continues, MF Zhongshan shall bear all additional costs. If the agreement is terminated, MF Zhongshan shall return all Cuicheng Compensation instalments paid by Zhongshan Cuiheng NDMC. If MF Zhongshan delays repayment, it shall pay a daily penalty of 0.1% of the outstanding compensation from the date of Zhongshan Cuiheng NDMC's written demand until full repayment.

Lastly, if MF Zhongshan fails to complete land resumption registration or to vacate the Resumed Land within the specified timeframe, it shall pay daily liquidated damages of 0.1% of the Cuicheng Compensation already paid by Zhongshan Cuiheng NDMC for each day of delay. Zhongshan Cuiheng NDMC may deduct this amount from sums payable to MF Zhongshan, and any payment deadlines will be extended accordingly.

INDEPENDENT FINANCIAL ADVISERS AND THEIR FINDINGS

Although it is not required under the relevant Listing Rules for the engagement of independent financial advisers ("**IFA**") in connection with the Cuicheng Road Land Resumption, having regard to (i) the allegations and concerns raised by Mr. Fong in relation to the fairness and reasonableness of the Cuicheng Compensation and the Cuicheng Road Land Resumption; and (ii) the importance of the transaction to the Company, the Company considered it appropriate to voluntarily engage an IFA to review the fairness and reasonableness of the Cuicheng Compensation and the Cuicheng Road Land Resumption and to provide the Board with an independent assessment of the transaction.

Summary of major findings and conclusion of the IFA report[1]

(i) *Valuer's scope of work, experience and independence*: The IFA assessed the qualifications, experience and independence of the valuer. Based on its assessment, the IFA was not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the valuer in the valuation report. The IFA was also not aware of any material facts that would cause it to cast doubt on the experience and expertise of the valuer in conducting the valuation.

[1] The IFA's major findings and conclusion as summarised above are based on the scope and bases set out in its independent financial adviser report issued to the Board, which was prepared for the Board's consideration in connection with the Cuicheng Road Land Resumption.

(ii) *Review of valuation methodologies and key assumptions*: The IFA noted, based on discussion with the valuer, that the valuation methodologies and key assumptions adopted by the valuer in the valuation report are commonly adopted in, and in line with, general market and industry practice for valuations of a similar nature. Where appropriate, the relevant calculation methodologies and assumptions were adopted with reference to announcements and implementation opinions published by relevant government authorities in the PRC, and the relevant underlying valuation parameters were sourced from such announcements and implementation opinions or the website of relevant government authorities in the PRC. Based on its review on the valuation report and the discussion with the valuer, the IFA considered that valuation methodologies and key assumptions adopted in the valuation report to be fair and reasonable.

(iii) *Assessment on the fairness and reasonableness of Cuicheng Compensation*: Apart from its review on the valuation methodologies and key assumptions adopted in the valuation report and the information provided by, and discussions with, the management of the Company and the valuer, the IFA also noted that the Zhongshan LRC and Zhongshan Cuiheng NDMC had engaged another independent valuer to conduct a valuation on the Cuicheng Road Land (the "Government Appraisal Value") and considered the financial impact of the Cuicheng Road Land Resumption. As (i) the Cuicheng Compensation is higher than the appraised value assessed by the valuer; (ii) the Cuicheng Compensation is closely aligned with the Government Appraisal Value; and (iii) having considered the reasons for and benefits and financial effect of the Cuicheng Road Land Resumption, the IFA is of the view that the Cuicheng Compensation is fair and reasonable so far as the Board is concerned.

REASONS FOR AND BENEFITS OF CUICHENG ROAD LAND RESUMPTION

As part of the local government's initiative to manage and enhance the land reserves and industrial development prospects of Zhongshan City, Guangdong Province, the PRC, Zhongshan NRB published "The Pilot Plan for Redevelopment of Low-Efficiency Land in Zhongshan City"* (《中山市低效用地再開發試點實施方案》) in 2023. In accordance with this plan, Zhongshan Cuiheng NDMC assessed the overall planning for the area encompassing the Resumed Land and determined that the Resumed Land shall be reclaimed by the government for redevelopment and replanning purposes. Consequently, Zhongshan Cuiheng NDMC initiated the land resumption processes.

The Cuicheng Road Land was acquired by MF Zhongshan in 2010. Given the uncertainties surrounding the prevailing macroeconomic environment, in which the Group continued to face multiple challenges such as intensified industry competition and fluctuating raw material prices during the year ended 31 December 2025, and the Group's high gearing ratio (defined as net bank and other borrowings (other than payables in the ordinary course of business) over total equity) of 91% for year ended 31 December 2025, the Board is of the view that the resumption of Cuicheng Road Land will enable the Group to generate positive cash flow, reduce the level of debts, increase its working capital and alleviate its financial burden for the time being, thereby supporting its long-term and sustainable development.

Currently, the land owned by FNE Guangdong, which is adjacent to the Cuicheng Road Land, contains under-utilised land and space. The Board is therefore proposing a relocation of the manufacturing plants and offices located on the Cuicheng Road Land to the adjacent land owned by FNE Guangdong ("**Proposed Relocation**") as it will significantly enhance the Group's land utilisation and production efficiency, and will also lower the costs of operations in the long run. Coupled with the Cuicheng Road Land Resumption, which will generate positive cash flow for the Group, the Proposed Relocation enables the Company to streamline resources and supports the Group's sustainable development in the long term. The Board has assessed the land and space available at the land owned by FNE Guangdong, and has come to a conclusion that it is able to accommodate all of the manufacturing plants for manufacturing dyeing and finishing machinery, as well as the offices situated on the Cuicheng Road Land. In this regard, the Group has formulated and proposed a relocation plan for the manufacturing plants and offices located on the Cuicheng Road Land to the land owned by FNE Guangdong, and the Proposed Relocation is expected to be able to be completed within two months.

In particular, the Company anticipates that the relocation of the dyeing and finishing manufacturing machinery, together with office equipment and stationery, from the Cuicheng Road Land to land owned by FNE Guangdong will take approximately one month. According to the current plan, in order to take advantage of the synergies of operations in close proximity and for other benefits mentioned in this section headed "Reasons for and Benefits of Cuicheng Road Land Resumption", mitigating the impact of disruption and ensuring the Proposed Relocation could be conducted within the prescribed time as may be required under the Cuicheng Road Land Resumption Agreement, the Proposed Relocation is anticipated to commence in May 2026 and be completed in end of June 2026. This timeline is achievable because certain machinery recently purchased by MF Zhongshan has already been installed on FNE Guangdong's land. A month will be allocated for the moving and installing equipment, office materials and production inventories, and a month will be allocated for the removal of all remaining and obsolete assets, fixtures and structures from the buildings on the Cuicheng Road land and for site cleaning. Prior to commencing production at FNE Guangdong's land, the Company is required by the Zhongshan Ecology and Environment Bureau to complete the environmental impact assessment. The Company is currently undertaking the environmental impact assessment with relevant authorities in preparation of the Proposed Relocation. In addition, the Company will complete all other required filings and procedures for the Proposed Relocation, and will ensure that the Proposed Relocation is carried out in compliance with all relevant laws and regulations.

The Board appreciates that the relocation will interrupt and cause manufacturing operations to be unable to operate at its full capacity temporarily, which may potentially result in a loss of profit. To reduce the disruptions and to mitigate such potential loss of profit, the Proposed Relocation has been meticulously structured to minimise disruption and to align the move with scheduled production orders. Before the Proposed Relocation commences, each production line will produce additional quantities of semi-finished or finished goods to build buffer stock, thereby allowing downstream processes to continue without interruption. Machinery will be relocated sequentially, step by step along the production process, so that subsequent process stages can continue operating while earlier-stage equipment is moved, further reducing operational impact and to ensure interruption to production is under control.

Following the Proposed Relocation, MF Zhongshan's production equipment will be segregated from FNE Guangdong's existing production equipment and housed in two separate workshops. This arrangement is designed to reduce the risk of cross-contamination between carbon-steel and stainless steel products manufactured in the respective production lines of the two companies. Nonetheless, non-production resources and areas, such as office space, may be shared to achieve resource consolidation. In addition, capacity-management measures, including digitalisation, process upgrades and the introduction of dual shifts for workers, will be implemented. Accordingly, the Company expects that MF Zhongshan's monthly production capacity will be maintained at a similar level upon the completion of relocation, thereby supporting continuity of operations. MF Zhongshan will fully resume normal business operations upon the completion of the Proposed Relocation in end of June 2026.

The Board considers that the Proposed Relocation and the Cuicheng Road Land Resumption relocation of manufacturing plants will significantly enhance the Group's land utilisation and production efficiency. This strategic consolidation will enable the Group to consolidate its resources and streamline resources and operations, reducing idle capacity and minimising under utilised space at FNE Guangdong. By optimising the production footprint and implementing digital and process upgrades, FNE Guangdong expects to release approximately 40,000 sq m on its site for use by MF Zhongshan. Office accommodation and selected non core production equipment will be shared where appropriate, supporting economies of scale, lowering overheads, and facilitating a smooth transition. The Proposed Relocation strengthens liquidity without impairing core operating capabilities, as only land and buildings are resumed; the Group retains its technology, equipment, personnel and orders, thereby unlocking capital while safeguarding cash generation. The aforementioned benefits of the relocation to FNE Guangdong's land outweighs the temporary disruptions to the business operations during the relocation process. The Board is therefore of the view that the proposed relocation to FNE Guangdong's land is in the best interests of the Company and the shareholders.

In addition, the compensation arising from the Cuicheng Road Land Resumption is expected to improve the Group's financial position, with an anticipated gain of RMB216.79 million, calculated based on the net book value of Cuicheng Road Land as at 31 December 2025. Accordingly, for the reasons outlined above, the Proposed Relocation and the Cuicheng Road Land Resumption will promote the Group's long term development and is in the interest of the Company and the Shareholders as a whole. Consequently, the Board anticipates that the Proposed Relocation and the Cuicheng Road Land Resumption will benefit the Group's operational management and production capabilities. Furthermore, the Cuicheng Compensation is considered fair and reasonable with reference to the valuation conducted by the independent professional valuer, which has taken into account the potential loss of profit for MF Zhongshan due to the temporary suspension of manufacturing and production of dyeing and finishing machinery during the Proposed Relocation.

Therefore, the Company is committed to cooperate with Zhongshan LRC and Zhongshan Cuiheng NDMC regarding the Cuicheng Road Land Resumption. The Directors (including the independent non-executive Directors), except Mr. Fong, consider that the terms of the Cuicheng Road Land Resumption are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

View of Mr. Fong towards the Cuicheng Road Land Resumption

For completeness, please note that Mr Fong, a non-executive Director of the Company, has opposing view with other members of the Board towards the Cuicheng Road Land Resumption Agreement and the transactions contemplated under it. The major concerns and key allegations of Mr. Fong are summarised below:

(i) Alleged deficiencies in the valuation report

Mr. Fong is of the view that the valuation report prepared by the independent valuer may not have fully taken into account certain factors and, as a result, may understate the market value of Cuicheng Road land. The factors he referred to include changes to administrative districts in the area, subway construction plans, and regional development policies between Guangzhou and Zhongshan, each of which, in his view, could indicate potential growth in the land's value. He further alleged that the registered address of the Cuicheng Road Land has changed and that the continued use of the former address amounted to a concealment of developments on the Cuicheng Road Land.

(ii) Alleged deficiencies in the IFA report

Mr Fong questioned whether, notwithstanding the Company's engagement of an IFA to review the fairness and reasonableness of the Cuicheng Road Land Resumption, the analysis may not have fully reflected certain matters. In particular, he considered that the significance and detailed financial contribution of MF Zhongshan, which he regards as a core asset of the Group, may not be sufficiently presented in the IFA report.

Separately, Mr. Fong also questioned the findings of the IFA in respect of the feasibility of the relocation plan and, in particular, the space-sharing arrangement between MF Zhongshan's and FNE Guangdong's existing production equipment, as he considered that there would be cross-contamination between the production lines. In addition, he argued that the existence of over 40,000 square metres of unused space in the premises of FNE Guangdong could be characterised as a management failure in asset utilisation and resource allocation.

(iii) Alleged failure to consider alternative options

Mr. Fong also contended that neither the management of the Group nor the IFA had conducted any substantive analysis of alternative options that might better serve the Group's interests. In particular, he proposed that, given the current market momentum and development trend, the Board should consider an alternative plan involving the disposal of the production assets of FNE Guangdong and the consolidation of its operations to MF Zhongshan.

(iv) Allegation towards the overall fairness of the transaction

Mr. Fong expressed concern that the Cuicheng Road Land Resumption Agreement may not align in all respects with typical market practice and fair and reasonable terms which, in his view, could give rise to an imbalance of rights and obligations between the parties. By way of example, he pointed to matters such as clarity on payment dates, allocation of liability for breach, the extent of liabilities associated with termination conditions, and the potential for conflicts of interest between the Company's ultimate controlling shareholder and the counterparties. He considered that these matters could call into question the overall fairness of the Cuicheng Road Land Resumption.

Mr. Fong also considered the requirement under the agreement for MF Zhongshan to complete land clearance and handover within 10 days of the third instalment being deposited into a jointly managed account to be unrealistic for a large-scale manufacturing enterprise. He further pointed to what he characterised as an imbalance in the allocation of liability, noting that the penalty for breach by MF Zhongshan was 5% of the total price, whereas the penalty for late payment by the government party was only 0.1% per day, and that the overall structure of rights and obligations systematically favoured the government party.

Board's response and view as a whole

The rest of the Board, having discussed the concerns raised by Mr. Fong with the IFA and the independent professional valuer and taking into account the valuation report and the letter issued by the independent financial adviser, does not share Mr. Fong's assessment. The key points considered by the Board are summarised below:

(i) Alleged deficiencies in the valuation report

In respect of the alleged deficiencies in the valuation report, the Board noted that the address of the Cuicheng Road Land disclosed in the Announcement and the valuation report aligns with Cuicheng Road Land's official property certificate, and that the independent valuer's assessment was carried out by reference to the actual location of the land and its value-relevant characteristics rather than solely by reference to the road name or postal address.

Further, as advised by the independent valuer, the Cuicheng Road Land is industrial land, the value of which is primarily determined by road accessibility and freight logistics convenience rather than passenger transit facilities. The changes to administrative districts and subway construction plans cited by Mr Fong would mainly affect commercial and residential land values and would have little impact on the value of industrial land used for manufacturing purposes. These matters were accordingly not material to the valuation.

In addition, the Board noted that the valuer has taken into account "market structural change" in the valuation, which refers to the fundamental changes in the supply-demand relationship, demand composition, policy environment and development model of the real estate market. The construction of the metro line was not considered to have caused any such fundamental change in the industrial land market in the Cuiheng New District, and accordingly did not constitute a market structural change relevant to the valuation. Accordingly, the Board did not consider the absence of a specific reference to the subway construction plans in the valuation report to constitute a material omission, nor significantly affect the results of the valuation.

(ii) Alleged deficiencies in the IFA report

In respect of the IFA report, the Board noted that the Cuicheng Road Land Resumption involves the disposal of land assets rather than the sale of a subsidiary company and, as advised by the IFA, market practice does not generally require the disclosure of detailed financial information of the entity holding the land. Nonetheless, to reflect MF Zhongshan's significance as a revenue contributor to the Group, its revenue proportion had already been further disclosed in the report.

In respect of the relocation plan, the Board considers that Mr. Fong's understanding of the sharing arrangement between MF Zhongshan and FNE Guangdong following the relocation is incorrect. Specifically, as disclosed under the section headed "Reasons for and benefits of Cuicheng Road Land Resumption" in this circular, only non-production resources such as office spaces may be shared between the two companies. The production equipment of MF Zhongshan and FNE Guangdong will be physically isolated and there should accordingly be no risk of cross-contamination after completion of the relocation. As regards the alleged unused space at FNE Guangdong, the Board clarified that the available space had been generated through lean management, equipment upgrades and production process optimisation carried out specifically to accommodate MF Zhongshan's relocation, and did not represent pre-existing idle space.

Accordingly, the Board considers that Mr. Fong's concern as stipulated above has been tackled and/or without basis.

(iii) Alleged failure to consider alternative options

In respect of Mr. Fong's allegation that the Company failed to consider alternative options to the Cuicheng Road Land Resumption, the Board noted that the existing land area of MF Zhongshan is insufficient to accommodate all of FNE Guangdong's factory buildings and related facilities, thereby rendering the alternative of consolidating operations into the MF Zhongshan site impracticable. The Board considered that the relocation plan, together with the transactions contemplated under the Cuicheng Road Land Resumption, has been carefully formulated having regard to, among other matters, the benefits to the Group, practicality, and the operational and financial feasibility of implementation. Accordingly, the Board is of the view that Mr. Fong's allegations are without merit.

(iv) Allegation towards the overall fairness of the transaction

The Board does not consider that the Cuicheng Road Land Resumption gives rise to the concerns identified by Mr. Fong regarding overall fairness. The Board wishes to emphasise that the purpose of the transaction is not to dispose of MF Zhongshan's business as a going concern. The Cuicheng Road Land Resumption relates solely to the land and the buildings situated thereon held by MF Zhongshan. Following the relocation, only the physical location of MF Zhongshan's production facilities would change, but its core technology, equipment, personnel and business operations would be retained in their entirety. The Board is of the view that MF Zhongshan's earning capacity is derived from the company itself, including its operational capabilities, workforce and intellectual property, and not from the particular land and buildings it occupies. Accordingly, the Board does not consider that MF Zhongshan's profitability would be materially adversely affected by the transaction. On the contrary, the consolidation of production facilities would enable the disposal of underutilised land, thereby improving the Group's overall financial position and operational efficiency.

Regarding Mr. Fong's concerns relating to the specific terms of the Cuicheng Road Land Resumption Agreement, such as the clarity of payment dates, the allocation of liability for breach, the termination conditions, the potential for conflicts of interest, the 10-day land clearance and handover period etc., the Board notes that these terms largely align with the standard terms contained in the Zhongshan Cuiheng NDRC's template land resumption agreement and must be assessed in the context of the transaction as a whole. Whilst MF Zhongshan has endeavoured to negotiate with the counterparties, the scope for negotiation is inherently limited given that the land resumption is initiated by government authorities pursuant to policy objectives, and a complete refusal of such terms would simply result in the Cuicheng Road Land Resumption not proceeding at all.

The Board further notes that, were the Company instead to pursue a disposal of the land by way of market sale, it would be required to pay approximately RMB80 million in value-added tax, from which the land resumption arrangement is exempt. Having regard to these financial benefits, the retention of MF Zhongshan's business operations and earning capacity, and the practical reality that land resumption agreements with governmental bodies are conducted on terms prescribed by the relevant authority, the Board considers that the transaction, taken as a whole, is on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

In light of the foregoing, the Board considers that the reports issued by the IFA, and the independent professional valuer have taken into account the necessary and relevant facts and consideration points based on their expertise, and consider the conclusion and results of such assessment are logical and reasonable. Accordingly, the rest of the Board concurs with the conclusion of the IFA that the transaction is fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, and does not consider Mr. Fong's concerns to be substantiated.

It is with regret that Mr. Fong has ceased to participate in any Board meetings since 28 March 2025. Were Mr. Fong to have taken a genuine interest in the Company's transactions by attending the Board meetings and discuss with the rest of the Board, relevant senior management members and professional parties involved, the Company believes that his concerns (which are not shared by the rest of the Board) would have been addressed more promptly and in a more appropriate manner.

FINANCIAL EFFECT ON THE GROUP

Based on the latest audited financial statements as at 31 December 2025, the net book value of the Cuicheng Road Land was approximately RMB108,239,000 (equivalent to approximately HK$119,837,000) and transaction cost was approximately RMB4,012,000 (equivalent to approximately HK$4,442,000). On account of the Cuicheng Compensation of RMB308,060,000 (equivalent to approximately HK$341,069,000), the Company is expected to record an unaudited net gain from the Cuicheng Road Land Resumption of approximately RMB195,809,000 (equivalent to approximately HK$216,790,000). The actual amount of gain from the Cuicheng Road Land Resumption to be recorded by the Group is subject to audit and will take into account any costs and expenses incurred relating to the Cuicheng Road Land Resumption, and accordingly, it may be different from the amount stated above.

Earnings

For the year ended 31 December 2025, the Group recorded an audited profit and profit attributable to owners of the Company for the year of approximately HK$4.09 million and HK$4.20 million, respectively. Based on the "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix IV to this circular, assuming the completion of Cuicheng Road Land Resumption had taken place on 1 January 2025, the unaudited pro forma consolidated profit and consolidated profit attributable to owners of the Company of the Remaining Group for the year ended 31 December 2025 would be approximately HK$193.59 million and HK$193.71 million, respectively.

Assets and liabilities

Following the completion of Cuicheng Road Land Resumption, the assets and liabilities of the Resumed Land will no longer be consolidated into the consolidated financial statements of the Group. According to the annual results of the Company for the year ended 31 December 2025, the audited consolidated total assets and total liabilities of the Group as at 31 December 2025 were approximately HK$3,479.89 million and HK$2,505.38 million, respectively. Based on the "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix IV to this circular, assuming the completion of the Cuicheng Road Land Resumption had taken place on 31 December 2025, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group as at 31 December 2025 would be approximately HK$3,508.79 million and HK$2,350.02 million, respectively.

Please refer to the table below for the net profit (before and after tax) attributable to the Resumed Land (together with the buildings on top of the Resumed Land) for the years ended 31 December 2024 and 2025, respectively:

	Net profit (before taxation)	**Net profit (after taxation)**
	HK$000	*HK$000*
For the year ended 31 December 2024	47,621	40,478
For the year ended 31 December 2025	54,960	54,160

PROPOSED USE OF PROCEEDS

The Company currently intends that, subject to actual circumstances and decision of the Board when concrete details of the proposed uses are put forward for consideration, all the proceeds from the Cuicheng Road Land Resumption will be used for repayment of bank loans of the Group. As at the Latest Practicable Date, the outstanding bank loan of the Company amounted to RMB800.51 million, and the Company will determine the allocation of the proceeds having regard to the applicable interest rates and the outstanding balances of its various bank facilities at the relevant time.

VALUATION OF THE RESUMED LAND

One of the factors taken into account by the Company in determining the fairness and reasonableness of the Cuicheng Compensation was the valuation report issued by an independent professional valuer. Please refer to Appendix II to this circular for the full valuation report.

Valuation standard

The valuation report was prepared in accordance with the Code for Real Estate Appraisal of the National Standard of the People's Republic of China (中華人民共和國國家標準《房地產估價規範》) (the "**Code**"). The Code is the primary professional standard for real estate appraisers in the PRC and represents the highest national standard. In addition, as confirmed by the independent valuer, the valuation report contains all material details of the basis of valuation and complies with the requirements under the International Valuation Standards published by the International Valuation Standards Council.

Summary of valuation methods adopted

In order to derive the valuation of the Resumed Land, the independent valuer applied relevant inputs and valuation methodologies, carefully analysing market data, comparable sales, and specific property characteristics to determine the appraised values for land use rights, structures, young crops, and losses resulting from the suspension of business and production.

According to the Code, the commonly used appraisal methods currently recognised in the market include the income method, the comparison method, the cost method, and the hypothetical development method. In selecting the appropriate method for valuation, the independent valuer followed the Code and took into account the conditions of the local real estate market, the specific characteristics of the Resumed Land, and the purpose of valuation. In particular, the methods adopted in the valuation is cost approach, with the land acquisition price determined using both the market approach and benchmark land price adjustment method. Taking into account the development of the local real estate market and the characteristics and purpose of the valuation, the independent valuer selected the most appropriate valuation methods. Specifically, the cost approach was adopted as the subject properties are industrial factory buildings construed on the land acquired by the Group, making their cost relatively straightforward to be estimated. For the assessment of the land's replacement cost, market approach was used due to the active transaction market and availability of comparable transactions involving land of similar use. Additionally, as the subject properties are located within the benchmark land price coverage area of Zhongshan City, the benchmark land price adjustment method was also applied.

(i) Valuation method for the buildings on the Resumed Land

The valuer has adopted the cost approach for the valuation price for the buildings on the Resumed Land, and the valuation amount was determined by aggregating the cost of reacquiring the land with the values of the properties and structures situated upon it. The cost of land reacquisition was calculated by taking into account the land acquisition price, together with the relevant taxes, management fees, and development profit. In respect of the properties and structures on the land, their values were assessed with reference to the construction costs, management fees, applicable taxes, development profit, and an appropriate depreciation rate.

(ii) Valuation method for the land acquisition price

The area in which the Resumed Land is located has an active land market with a number of comparable transactions involving land of similar use. Accordingly, the market approach (comparison method) is applicable. In addition, as the Resumed Land falls within the coverage area of Zhongshan's benchmark land price, the benchmark land price adjustment method may also be applied. Both methods were therefore adopted to determine the objective acquisition price of the Resumed Land.

(1) ***Market approach (comparison method):*** In accordance with the principle of selecting comparable cases, the independent valuer selected three cases of state-owned industrial land use rights transactions from the Zhongshan Public Resource Trading Platform* (中山市公共資源交易平台) ("**Zhongshan Trading Platform**") within the preceding two years, all located in Cuiheng New District, Zhongshan City. The three selected plots are situated in the same area and are of similar nature and usage, being industrial use, and their transactions were conducted through government public listing processes at arm's length transaction prices.

The three comparable cases are not exhaustive, but were selected from a wider pool of industrial land transfer cases published on Zhongshan Trading Platform applying the following selection criteria:

(a) no fewer than three comparable cases which were actual transaction cases;

(b) the transaction method of the comparable cases was suitable for the purpose of valuation;

(c) the land or real estate in the comparable cases were similar to the property being valued;

(d) the transaction dates of the comparable cases were close to the valuation date, generally not exceeding one year and in any event not exceeding two years;

(e) the transaction prices of the comparable cases were within the normal range or capable of adjustment to a normal price; and

(f) where other conditions are equal, cases that are geographically closer to the subject property and have transaction dates closer to the valuation date should be selected.

Other cases on the Zhongshan Trading Platform were considered but not selected as comparables, having not met criterias stipulated above to the requisite degree. Please refer to the summary table below for the three comparable cases that the valuer has selected for comparison:

	Case 1	**Case 2**	**Case 3**	**Resumed Land**
Parcel No.	G25-2025-0001	G25-2025-0002	G28-2025-0098	G15-10-0131
Location	Lanbian Village, Nanlong Street, Zhongshan City (中山市南朗街道欖邊村)	Lanbian Village, Nanlong Street, Zhongshan City (中山市南朗街道欖邊村)	Xi'er Wei, East District, Cuiheng New District, Zhongshan City (中山市翠亨新區東片區西二圍)	101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City (中山市火炬開發區翠亨新區翠城道101號)

	Case 1	Case 2	Case 3	Resumed Land
Land Use Type	Industrial (Standard Land)	Industrial (Standard Land)	Industrial (Standard Land)	Industrial (Standard Land)
Land Area *(sq m)*	26,431.87	16,470.91	8,755.07	133,333.30
Transaction Date	2 April 2025	1 April 2025	25 November 2025	31 January 2026[1]
Total Transaction Price *(RMB)*	RMB39,647,800	RMB24,706,400	RMB13,789,230	RMB308,060,000[2]
Price per sqm	RMB1,500.0/sqm	RMB1,500.0/sqm	RMB1,575.0/sqm	RMB1,530.0/sqm

Note:

1. The date of the valuation report

2. Cuicheng Compensation

Based on the industrial land use rights transactions in the preceding two years on the Zhongshan Trading Platform, there were no industrial land use rights transactions in the same location that are of a similar land area to the Resumed Land. According to the valuer's market research, the land area of the land has minimal impact on the unit land price, instead, the usage and the location of the land are the main factors influencing the unit land price. The valuer has noted that regardless of the land area, the unit land price of all industrial land use rights transactions in the Cuiheng New District on the Zhongshan Trading Platform from 2022 till 31 January 2026 were on average RMB1,575/sqm.

(2) ***Benchmark land price adjustment method:*** The subject property is located at No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City. Pursuant to the announcement of the 2025 Update of the Benchmark Land Price for State-owned Construction Land in Zhongshan City (《中山市2025年國有建設用地基準地價更新的公告》) (the "**Benchmark Land Price Announcement**") published by the Zhongshan Natural Resources Bureau (中山市自然資源局), the subject property is classified as Level 1 industrial land, with area number GY103 and a land price (per unit area) of RMB872/sq.m. Based on the adjustment framework set out in the Benchmark Land Price Announcement, and having regard to the actual conditions of industrial land in Zhongshan, the valuer applied adjustments for regional factors, gross floor area ratio, land use term, transaction date, other individual factors, land development degree, and land type.

A weighted average of the two methods was adopted as the result for the land use rights acquisition price, with a higher weight assigned to the market approach (comparison method) and a lower weight to the benchmark land price adjustment method.

(iii) Valuation method for structures and young crops

The relocation of structures and young crops does not constitute an independently operated activity. The value attributable to such relocations is determined in accordance with the Implementation Opinions of the Zhongshan Municipal People's Government on Compensation for the Expropriation of Land for Public Welfare Projects* (《中山市人民政府關於中山市公益性項目用地徵收補償的實施意見》) (Zhong Fu [2019] No. 107) ("**Implementation Opinions**").

According to the Implementation Opinions, value attributable to the relocation of structures are classified by the structure type and then further graded by floor-to-ceiling height. The valuer then matches the target property's actual characteristics – such as the exterior wall standard, the water and electricity facilities, and the level of fit-out/finishing – to the corresponding compensation standards in the schedule of the Implementation Opinions, and applies those compensation standards for valuation.

Boundary walls and cement roads are priced by identifying their applicable types and key technical characteristics such as thickness, and then applying the corresponding compensation standards in the schedule of the Implementation Opinions.

Young crops are classified according to tree species, and the specifications are determined by using the trees' trunk diameter at breast height. The valuer then applies the corresponding compensation standards in the schedule of the Implementation Opinions to determine the valuation.

In the valuation report, the compensation standards for reinforced-concrete buildings, including the three-storey factory building and the integrated building/office building, are adjusted upward or downward based on comparisons of floor-to-ceiling height, appearance, and structural characteristics with comparable categories. Where the corridor areas have no enclosing/enclosure walls, the applicable compensation standards are adjusted downward accordingly. For the remaining buildings/structures and for young crops, the valuer applies the compensation standards for the relevant comparable categories directly from the schedule of the Implementation Opinions.

As the valuation method for the structures and young crops are based on the Implementation Opinions with the compensation standards set out in the accompanying schedule, that are objective and standardised, the Board considers that this approach is inherently fair and reasonable. Where adjustments are required to reflect the actual characteristics of the assets, such adjustments are made consistently with the framework provided by the Implementation Opinions. On this basis, the Board is of the view that the valuation method for structures and young crops is fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

(iv) Valuation method for losses due to suspension of business and production

Pursuant to the Implementation Opinions, losses due to suspension of business and production are generally calculated on the basis of the actual monthly average after-tax profit for the year prior to the expropriation. Where proof of tax payments cannot be provided or where calculating after-tax profit is not practicable, the average after-tax profit from the same industry in the preceding year or the market rent of comparable properties is used for the purposes of calculation. In the valuation report, the average monthly net profit for the preceding year was calculated on the basis of the monthly profit statements of MF Zhongshan for the period from February 2025 to January 2026. The compensation period is calculated as four months, in accordance with the records in the valuation engagement letter.

Assumptions in the valuation report

The assumptions underlying the valuation report are as follows:

(i) The ownership, area and usage of the Cuicheng Road Land as stated in the valuation report were based on documents provided by the Company and the PRC legal opinion issued by the Company's PRC legal counsel. In the absence of any reason to doubt the legality, authenticity, accuracy or completeness of such materials, the valuer has assumed that the information provided by the Company and as set out in the PRC legal opinion is legal, authentic, accurate and complete.

(ii) The valuer gave specific consideration to major factors that may affect the valuation, including building safety and environmental pollution. Based on the results of on-site inspections, the Cuicheng Road Land was found to be in normal use. In the absence of any reason to suspect the existence of safety hazards, and in the absence of identification or testing conducted by relevant professional institutions, the valuer has assumed that the subject property does not have any issues relating to building safety or environmental pollution.

(iii) The land area falling within the scope of the valuer's assessment was based on the Certificate of Real Estate Ownership provided by the Company, and the number of buildings, structures and green crops included in the assessment was based on the property map provided by the Company. Any changes occurring after the date of preparation of the property map were not taken into account for the purposes of the valuation.

(iv) As the purpose of the valuation relates to the resumption of land by the relevant government authorities, the independent valuer did not take into account any factors such as subsisting leases, mortgages or seizures affecting the subject property.

GENERAL INFORMATION

Information of Zhongshan LRC and Zhongshan Cuiheng NDMC

Zhongshan LRC is a departmental centre under Zhongshan NRB, which is principally responsible for the formulation and implementation of the land use planning, urban and rural planning and land reserve management of Zhongshan City. It is also responsible for managing and handling the administrative procedures regarding resumption of land. Zhongshan Cuiheng NDMC is a governmental agency established by the Zhongshan City Municipal Government, which is principally responsible for managing and overseeing the strategic planning, resource allocation, investment attraction, construction and development of Cuiheng New District, Zhongshan City, the PRC. It is also responsible for managing urban planning projects and developing specialised plans in relation to consolidation and re-development of land.

Zhongshan LRC and Zhongshan Cuiheng NDMC are governmental authorities of the PRC, which are in turn controlled by the Zhongshan City Municipal Government and People's Government of Guangdong Province, and ultimately controlled by the State Council of the PRC. On the other hand, the ultimate controlling shareholder of the Company, SINOMACH, is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, a commission under the direct control of The State Council of the PRC, and is not under control of any local government authorities. Other than the above relationship, to the best of the Board's knowledge, information and belief having made all reasonable enquiries, Zhongshan LRC and Zhongshan Cuiheng NDMC and their ultimate beneficial owners are independent of the Company and its connected persons.

Information of the Group

The Company acts as an investment holding company. The Group is principally engaged in (i) the manufacture and sale of dyeing and finishing machines; and (ii) the manufacture and sale of stainless steel casting products and stainless steel supply chain. MF Zhongshan was incorporated in the PRC in June 2007 and is an indirect wholly-owned subsidiary of the Company. Its main business includes manufacture and trading of textile machinery.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under 14.04(9) of the Listing Rules) in respect of the Cuicheng Road Land Resumption is expected to exceed 75%, the Cuicheng Road Land Resumption, if proceeded as intended by the Company, shall constitute a very substantial disposal for the Company. Thus, the Cuicheng Road Land Resumption is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

RISK STATEMENT

Risks Associated with the Non-Approval of the Resolutions Relating to the Cuicheng Road Land Resumption Agreement

Shareholders should carefully consider the potential consequences and implications if the resolutions relating to the Cuicheng Road Land Resumption Agreement and the transactions contemplated thereunder are not passed at the SGM.

Financial Risk

If the Cuicheng Road Land Resumption does not proceed, the Group will not receive the Cuicheng Compensation from Zhongshan Cuicheng NDMC, and the expected gain arising therefrom will not be recognised. As a result, the Company will be unable to apply that expected gain towards the repayment of certain bank borrowings as planned, and the Company's gearing ratio would remain at an elevated level. The Company would be required to identify and implement alternative measures to manage and refinance its outstanding bank borrowings. Such measures may include the renegotiation of existing credit facilities, the procurement of new financing arrangements on potentially less favourable commercial terms, the disposal of assets, or other capital management initiatives. There is no assurance that any such alternative measures would be available to the Company on acceptable terms or at all, and the Company's financial position and liquidity could be materially and adversely affected.

Operational and Regulatory Risk

The Cuicheng Road Land Resumption was initiated pursuant to "The Pilot Plan for Redevelopment of Low-Efficiency Land in Zhongshan City" (《中山市低效用地再開發試點實施方案》), promulgated in 2023 by Zhongshan City, Guangdong Province, the PRC. The counterparties to whom the land is to be resumed are PRC governmental authorities. If the resolutions relating to the Cuicheng Road Land Resumption Agreement are not passed at the SGM, the Company will be unable to proceed with the transaction in accordance with this government-led redevelopment initiative. This may adversely affect the Company's relationship with the relevant government authorities and could have consequential effects on the Company's future development, business operations and prospects in the locality.

Tax and Duties Risk

In the event that the relevant government authorities terminate the land resumption plan following the non-approval of the relevant resolutions at the SGM, the Company may be required to dispose of the Cuicheng Road Land by way of an open-market commercial sale. In such circumstances, the Company would be subject to additional taxes and duties in connection with such a disposal, including, amongst others, land appreciation tax, value-added tax, urban construction tax and education surcharges, and stamp duty. Based on the Company's preliminary assessment, and with reference to the amount of the Cuicheng Compensation, the aggregate amount of such taxes and duties would be substantial. Shareholders should note that the financial impact of such taxes and duties could significantly reduce the net proceeds that the Company would otherwise realise from any such open-market disposal.

Shareholders are advised to read this risk statement carefully and to seek independent professional advice if in doubt about the actions they should take.

SGM

A notice convening the SGM to be held at Unit 2204, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong on 28 May 2026 at 10:30 a.m. (or so soon thereafter as the annual general meeting convened for the same date and place at 10:00 a.m. shall have been concluded or adjourned) or any adjournment thereof is set out on page SGM-1 to SGM-2 of this circular.

A proxy form for use in the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at Units 2201 & 2203, Orient International Tower, 1018 Tai Nan west Street, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

Whilst Zhongshan LRC and Zhongshan Cuiheng NDMC are controlled by Zhongshan City Municipal Government and People's Government of Guangdong Province, and ultimately controlled by The State Council of the PRC, whereas the ultimate controlling shareholder of the Company, SINOMACH, is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, a commission under the direct control of The State Council of the PRC and is not under control of any local government authorities, to the best knowledge, information and belief of the Board, having made all reasonable enquiries, no Shareholder and its associate has a material interest in the Cuicheng Road Land Resumption as contemplated under the Cuicheng Road Land Resumption Agreement.

As such, no Shareholder is required to abstain from voting under the Listing Rules on the ordinary resolution to approve the Cuicheng Road Land Resumption Agreement and the transactions contemplated therein at the SGM.

The resolution approving the Cuicheng Road Land Resumption Agreement and the transactions contemplated therein will be voted by way of a poll at the SGM.

CLOSURE OF REGISTRE OF MEMBERS

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be enclosed from Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive, during which period no transfer of Shares will be registered, and the record date of determining the entitlement is Thursday, 28 May 2026. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with 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 for registration no later than 4:30 p.m. on Thursday, 21 May 2026.

RECOMMENDATION

The Directors (including the independent non-executive Directors), except Mr. Fong, are of the view that the terms of the Cuicheng Road Land Resumption Agreement and the Cuicheng Road Land Resumption are fair and reasonable, and in the interest of the Company and Shareholders as a whole. Accordingly, the Directors, except Mr. Fong, would recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Cuicheng Road Land Resumption Agreement and the Cuicheng Road Land Resumption.

ADDITIONAL INFORMATION

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

Unless otherwise stated, the English text shall prevail over the Chinese text in this circular.

Yours faithfully,
For and on behalf of the Board
CHTC Fong's International Company Limited
Guan Youping
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the financial years ended 31 December 2023, 31 December 2024 and 31 December 2025 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.fongs.com). Quick links to the annual reports published on the website of the Stock Exchange are set out below. There was no qualified opinion issued for the audited financial information of the Group for the financial years ended 31 December 2023, 31 December 2024 and 31 December 2025.

– the annual report of the Group for the year ended 31 December 2023 published on 24 April 2024 (pages 45 to 148) available on:
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042400720.pdf

– the annual report of the Group for the year ended 31 December 2024 published on 23 April 2025 (pages 38 to 138) available on:
https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042300994.pdf

– the annual report of the Group for the year ended 31 December 2025 published on 10 April 2026 (pages 41 to 138) available on:
https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0410/2026041001177.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2026, being the latest practicable date for the purpose of preparing the statement of indebtedness prior to the printing of this circular, the indebtedness of the Group were as follows:-

Borrowings

At the close of business on 31 March 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had (i) secured interest-bearing bank and other borrowings of approximately HK$717 million; (ii) unsecured interest-bearing bank and other borrowings of approximately HK$417 million; (iii) unsecured and unguaranteed loan from immediate holding company of approximately HK$127 million; and (vi) unsecured and unguaranteed loan from fellow subsidiary of approximately HK$170 million.

Mortgages, charges and pledges

At the close of business on 31 March 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group's banking facilities are secured by charges over (i) certain of the Group's property, plant and equipment with carrying amount of approximately HK$1,162 million; (ii) the Group's prepaid lease payments with carrying amount of approximately HK$71 million; and (iii) corporate guarantees issued by the Group.

Lease liabilities

The Group had lease liabilities of approximately HK$9 million in relation to the payment obligation of the tenancy agreements in respect of premises in Hong Kong and Germany. The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The effective interest rate for the lease liabilities of the Group is 4.44% per annum.

Commitment

At the close of business on 31 March 2026, being the latest practicable date for the purpose of this indebtedness statement, the Group had capital expenditure contracted but not provided for in the consolidated financial statements in respect of addition to property, plant and equipment of approximately HK$28 million.

Save as aforesaid and apart from the intra-group liabilities and guarantees, the Group did not have any outstanding loan capital issued, outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments or other material contingent liabilities as at the close of business on 31 March 2026.

The Board confirms that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 March 2026 up to and including the Latest Practicable Date.

3. WORKING CAPITAL

In the preparation of the Group's working capital forecast, the Board, after due and careful enquiry, is of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular after taking into account (i) the internal resources of the Group; (ii) the available credit facilities of the Group; and (iii) the Cuicheng Road Land Resumption. The Company has obtained the relevant confirmation(s) as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Board has confirmed that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally a global leading dyeing and finishing machine manufacturing enterprise, providing customers with high quality dyeing and finishing machinery, after-sales and other one-stop services.

The Group plans to repay loans as soon as practicable using the net cash inflows generated from the Cuicheng Road Land Resumption.

The Group envisages that its business will continue to face multiple challenges in the near future, including global economic fluctuations, geopolitical risks, and intensifying industry competition.

In the fields of manufacturing and sales of dyeing and finishing machinery, as the global textile industry gradually moves towards green, efficient, and intelligent development, the dyeing and finishing equipment market will continue to optimize towards achieving energy conservation, emission reduction, automation, and digitization. The Group expects that with the increasing demand for high-efficiency and energy-saving equipment in major markets, as well as the expansion of dyeing and finishing capacity in emerging markets, the overall industry demand will maintain a stable growth momentum.

The Group will fully leverage the advantages of being a leading enterprise in the dyeing and finishing equipment industry, and become a world-class flagship enterprise in the manufacturing of dyeing and finishing equipment. The Group will continue to focus on technological innovation as its core competitiveness, increase research and development investment, promote the transformation of intelligent, production automation, and digital factories, and provide customers with more cost-effective and environmentally friendly solutions. Faced with challenges such as fluctuations in raw material prices and uncertain global trade environment, the management of the Group has formulated corresponding risk response strategies and continuously optimized the supply chain and production layout to maintain operational efficiency and market competitiveness.

In the fields of manufacturing and sales of stainless steel casting products and the stainless steel supply chain, the global stainless steel market is expected to experience moderate growth in 2026, with the scale of the stainless steel industry expected to outpace the overall growth rate of the steel sector generally. This will support medium-to-long-term demand for steel castings, although the growth rate is expected to remain modest. Meanwhile, the Group will continue to face cost and pricing pressures arising from fluctuations in stainless steel raw material prices, intensifying domestic and regional competition, and ongoing pressure from customers on stainless steel casting prices.

Faced with the challenges, the Group's management team will continue to explore new customer sources, pursue potential cooperation opportunities, and focus on developing unique and high-end casting products, thereby laying a solid foundation for the long-term growth of this business. Meanwhile, the Group is actively expanding its customer base, achieving a diversified business layout, and strengthening its presence in the field of advanced precision machining, with expectations of steady business expansion. The Group's management will also closely monitor market developments, respond flexibly to challenges, optimize production capacity, and diversify the supply chain to ensure stable business growth and enhanced competitiveness.

Looking ahead, the Group will be guided by the principles of digitization, greening, high-end development, and internationalization, with the goal of creating flagship dyeing and finishing equipment and leading the industry's development. Adhering to the business philosophy of "technology-oriented, customer-oriented, and integrity-oriented", the Group will focus on its core dyeing and finishing equipment business while developing the stainless steel casting business, optimizing its industrial layout, maintaining an innovation-driven approach, deepening reform, promoting digital transformation, enhancing information technology capabilities, and improving overall corporate performance. While maintaining its position as a leading enterprise in both the dyeing and finishing equipment and stainless steel casting industries, the Group will continue to enhance operational quality and promote its high-quality development.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Remaining Group for FY2023, FY2024 and FY2025.

(a) FY2023

Business Performance

In FY2023, the global economy gradually stabilised and showed signs of improvement, but the recovery was not as strong as expected. At the same time, inflation remained high and operating costs rose as a result of soaring raw material prices, while competition became more intense due to weak market conditions. Under this environment, the Remaining Group's performance was inevitably affected.

For FY2023, the Remaining Group's consolidated revenue from continuing operations decreased by 30% to approximately HK$1,740,000,000 (FY2022: HK$2,489,000,000) as compared to FY2022. Loss for the year attributable to owners of the Company was approximately HK$234,000,000 (FY2022: HK$200,000,000). The basic and diluted loss per share were 21.31 HK cents for FY2023 (FY2022: 18.21 HK cents).

Manufacture and Sale of Dyeing and Finishing Machines

In FY2023, the global economic environment continued to face challenges and uncertainties. Although the overall economy has gradually stabilised and shown signs of improvement, the rebound has been relatively weak. In addition, soaring raw material prices, coupled with the impact of high interest rates, have led to rising operating costs. Therefore, customers have adopted a cautious approach towards investing in new dyeing and finishing machines production facilities. They hesitated to proceed with expansion projects, resulting a slow recovery in customer demand for investment in new production equipment.

During FY2023, this business segment recorded revenue of approximately HK$1,288,000,000, accounting for 74% of the Remaining Group's revenue and representing a decrease of 30% from approximately HK$1,841,000,000 for FY2022. In particular, sales from Hong Kong and the PRC markets were approximately HK$619,000,000, representing a decrease of 3% from approximately HK$638,000,000 for FY2022; and sales from overseas markets were approximately HK$669,000,000, representing a decrease of 44% from approximately HK$1,203,000,000 for FY2022. During FY2023, this business segment recorded an operating loss of approximately HK$194,000,000 (FY2022: HK$117,000,000). Due to the challenging market environment, an impairment loss of carrying value of goodwill of approximately HK$69,000,000 was recognised in the consolidated statement of profit and loss and other comprehensive income for FY2023.

Cost control remains a significant concern for manufacturers. The Remaining Group continue to implement stringent measures and cost control initiatives throughout the entire operating structure, which are not restricted to production operations, but also applicable to sales, administration and other functions and departments. While the Remaining Group has already made moderate reductions in its workforce, primarily involving non-production staff, it has also invested resources in further trainings for skilled workers. This investment has resulted in cost savings as well as improvement in output quality. Moreover, the Remaining Group considers increasing the proportion of subcontracting to replenish its existing labour force, so that we can control our fixed labour costs and have the flexibility to meet urgent orders. Through the optimisation of labour force and the utilisation of subcontracting, the Remaining Group can effectively satisfy the needs of its customers while maintaining cost control.

In response to changes in the market environment and keen customer demand, during FY2023, the Remaining Group launched SOFTWIN, a new model of its flagship product fabric dyeing machines.

The Remaining Group's wholly-owned subsidiary at the relevant time, PT Harvest Holdings Limited ("**PT Harvest**"), holds an office property and certain car parking spaces in Hong Kong. In order to improve the financial position of the Remaining Group, the Directors are committed to a disposal plan to sell the entire share capital of PT Harvest. Therefore, on 31 December 2023, PT Harvest was classified as held for sale, and the assets and liabilities of PT Harvest are presented separately in the current assets and current liabilities in the consolidated statement of financial position and classified as held for sale. As at the Latest Practicable Date, the Company remained in the process of determining the disposal plan of PT Harvest.

Manufacture and Sale of Stainless Steel Casting Products

In FY2023, this business segment recorded revenue of approximately HK$394,000,000, accounting for 23% of the Remaining Group's revenue and representing a decrease of 26% as compared to approximately HK$533,000,000 for FY2022. As a result of the decrease in revenue, operating profit decreased to approximately HK$8,000,000 from approximately HK$28,000,000 for FY2022.

Casting orders fell from its peak, mainly attributable to a substantial increase in customer inventory amid the pandemic. Given the uncertain economic environment, customers have adopted a cautious ordering strategy and tend to reduce inventory level, especially when the shipping logistic services and the production material supply chains have gradually restored, resulting in a slowdown in the order volume.

The management team has been working hard over the last few years to broaden customer base and explore potential collaboration opportunities, and laid down a solid foundation for the future, long-term development of this business by focusing on the development of unique and high-end casting products. Given the uncertainties surrounding the prevailing macroeconomic environment, the Company adopts a prudent approach in capacity expansion planning, and continue to upgrade facilities and replace old machines, with the aim of supporting the development of a casting product mix that delivers higher output value. At the same time, automation has been duly enhanced to improve overall efficiency.

Trading of Stainless Steel Supplies

During FY2023, most countries have already lifted various anti-pandemic control measures and returned to normal. However, market conditions are still awaiting improvement as the anticipated strong economic rebound has yet to materialise. Owing to the unstable external environment, customers have become more cautious in their purchases, thus slowing down the pace of sales. For FY2023, this business segment recorded revenue of approximately HK$58,000,000, accounting for approximately 3% of the Remaining Group's revenue and representing a decrease of 49% as compared to approximately HK$115,000,000 in the corresponding period in FY2022. Operating profit for FY2023 amounted to approximately HK$6,000,000 (FY2022: HK$5,000,000). The increase in profit was mainly attributable to the effective management of the Remaining Group, which continued to optimise organisation structure and strengthened efforts in implementing cost reduction and efficiency enhancement, enabling the gross profit margin to rebound to its previous normal level.

In particular, the Remaining Group has established strong relationship with some global leading steel manufacturing companies since commencing the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end-users, while procuring stainless steel raw materials for the Remaining Group's dyeing and finishing machines business in a more cost-effective way. During FY2023, the intergroup sales of this business segment was approximately HK$88,000,000 (FY2022: HK$94,000,000).

Employees and Remuneration Policy

As at 31 December 2023, the Remaining Group had a total of approximately 2,200 employees (as at 31 December 2022: approximately 2,800 employees) across PRC, Hong Kong, Germany, Switzerland, Austria, India and the United States. In FY2023, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$551,000,000 (FY2022: HK$704,000,000), accounting for 32% (FY2022: 28%) of its revenue.

The Remaining Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Remaining Group's remuneration policies and packages are regularly reviewed by the remuneration committee of the Company. Discretionary bonus and share options may be awarded to eligible employees who contributed to the success of the Remaining Group. The Remaining Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefit schemes or Mandatory Provident Fund Schemes. The Remaining Group also offers appropriate training programmes for employees across all levels and positions on an ongoing basis, in order to improve staff's quality to better cope with the Remaining Group's future development.

In addition, the Company has adopted a share option scheme at the annual general meeting of the Company held on 21 May 2015 for the purpose of providing incentives to, among other participants, the full-time employee and Directors. For details of the share option scheme, please refer to the circular of the Company in relation to, among others, adoption of new share option scheme dated 20 April 2015.

Liquidity and Capital Sources

The Remaining Group strictly implemented prudent cost and cash flow management in order to ensure the continuous operation. During FY2023, the Remaining Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Remaining Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the operational requirements of the Remaining Group at the relevant time.

During FY2023, the Remaining Group's net cash outflow used in operating activities was approximately HK$16,000,000. As at 31 December 2023, the Remaining Group's inventory level decreased to approximately HK$415,000,000 as compared to approximately HK$497,000,000 as at 31 December 2022.

As at 31 December 2023, bank and other borrowings of the Remaining Group amounted to approximately HK$1,189,000,000. The bank and other borrowings were sourced from the PRC, with 54% denominated in Renminbi and 46% in Hong Kong dollars. The Remaining Group's bank and other borrowings are predominantly subject to floating interest rates and fixed interest rates.

As at 31 December 2023, the Remaining Group's bank balances and cash amounted to approximately HK$204,000,000, of which 57% was denominated in Renminbi, 16% in Euros, 16% in United States dollars, 10% in Hong Kong dollars and the remaining 1% in other currencies.

As at 31 December 2023, the Remaining Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary course of business) over total equity, increased to 96% (31 December 2022: 62%) and its current ratio was 0.51 (31 December 2022: 0.45).

During FY2023, the Remaining Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Remaining Group does not foresee significant exposure to exchange rate risks during the corresponding year. No financial instruments were used for hedging purpose in FY2023.

As at 31 December 2023, the Remaining Group had not pledged any of its assets.

As at 31 December 2023, the Remaining Group did not have any material contingent liabilities.

The Remaining Group did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during FY2023.

(b) FY2024

Business Performance

In FY2024, the global economy gradually stabilised and showed signs of improvement, but the recovery was not as strong as expected. Meanwhile, inflation and bank interest rates remained at a high level, raw material prices soared, resulting in higher operating costs, and competition intensified due to weak market conditions. In the face of these challenges, the Remaining Group has been operating in an uncertain environment, but at the same time, it has been maintaining its profitability in the face of adversity and proactively reduced costs and increased efficiency to ensure the sustainable development of the Remaining Group's business segments.

For FY2024, the Remaining Group's consolidated revenue increased by 13% to approximately HK$1,968,000,000 (FY2023: HK$1,740,000,000) as compared to FY2023. Loss attributable to owners of the Company was approximately HK$115,000,000 (FY2023: HK$234,000,000), a marked improvement in performance. Both basic loss per share and diluted loss per share were 10.41 HK cents for the Year (FY2023: 21.31 HK cents).

Manufacture and Sale of Dyeing and Finishing Machines

In FY2024, the global market economic environment continued to face challenges and uncertainties. Although the overall economy has gradually stabilised and shown signs of improvement, the rebound has been relatively weak. In addition, soaring raw material prices, coupled with the impact of high interest rates, have led to rising operating costs. Therefore, customers have adopted a cautious approach towards investing in new dyeing and finishing machines production facilities. They adopt a wait-and-see attitude to expansion projects, resulting in a slow recovery of customers' demand for investment in new production equipment.

During FY2024, this business segment recorded a revenue of approximately HK$1,527,000,000, accounting for 78% of the Remaining Group's revenue and representing an increase of 19% from approximately HK$1,288,000,000 for FY2023, of which sales from Hong Kong and the PRC markets were approximately HK$712,000,000, representing an increase of 15% from approximately HK$619,000,000 for last year; and sales from overseas markets were approximately HK$815,000,000, representing an increase of 22% from approximately HK$669,000,000 for last year. During FY2024, this business segment recorded an operating loss of approximately HK$30,000,000 (FY2023: HK$194,000,000).

Under the environment of fierce competition in the dyeing and finishing machinery industry, the sales and order intake of the Remaining Group's dyeing and finishing machinery business during the year rebounded from the low level of FY2023. Affected by the geopolitical tensions, some export orders and related investments in different industries, including textiles and garments, were withdrawn from the Chinese market. Overall, the ongoing slump in PRC's industrial market has stifled demand for products, while the phenomenon of "overcapacity" will continue to put pressure on prices and investment sentiment. In the face of intensifying competition in the dyeing and finishing machinery industry, many market players were competing for new machinery orders with low prices and fast delivery, and the Remaining Group's sales in dyeing and finishing machines in the PRC market have declined compared with that before the pandemic.

In terms of the overseas market, notwithstanding the global demand was affected by multiple adverse factors such as the slowdown in world economic growth, the high US interest rates and energy costs and foreign exchange fluctuations, the Remaining Group's overseas sales still improved and achieved a rebound momentum from the bottom, which was sufficient to hedge against the impact of weak demand in the Chinese market during the period, leading to the Remaining Group's sales of dyeing and finishing machines in FY2024 still rebounded as compared to FY2023.

Manufacture and Sale of Stainless Steel Casting Products

Given the uncertain economic environment, customers have adopted a cautious ordering strategy and tend to reduce inventory level, resulting in a drop in the number of casting orders from its peak. For FY2024, this business segment recorded a revenue of approximately HK$385,000,000, accounting for 19% of the Remaining Group's revenue and representing a slight decrease of 2% as compared to approximately HK$394,000,000 for FY2023. Despite the decrease in revenue, operating profit increased to approximately HK$16,000,000 from approximately HK$8,000,000 for FY2023.

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

Trading of Stainless Steel Supplies

During FY2024, most countries have already lifted various anti-pandemic control measures and returned to normal. However, market conditions are still awaiting improvement as the anticipated strong economic rebound has yet to materialise. Owing to the unstable external environment, customers have become more cautious in their purchases, thus slowing down the pace of sales. Sales and earnings for FY2024 were maintained at levels similar to those of FY2023.

For the year ended 31 December 2024, this business segment recorded a revenue of approximately HK$56,000,000, accounting for approximately 3% of the Remaining Group's revenue and representing a slight decrease of 3% as compared to approximately HK$58,000,000 of FY2023. Operating profit of FY2024 amounted to approximately HK$6,000,000 (FY2023: HK$6,000,000). With effective management, the Remaining Group continued to optimise organisation structure and strengthened efforts in implementing cost reduction and efficiency enhancement, enabling the gross profit margin to rebound to its previous normal level.

In particular, the Remaining Group has established strong relationship with some global leading steel manufacturing companies since commencing the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end-users, while procuring stainless steel raw materials for the Remaining Group's dyeing and finishing machines business in a more cost-effective way. During FY2024, the intergroup sales of this business segment was approximately HK$63,000,000 (FY2023: HK$88,000,000).

Employees and Remuneration Policy

As at 31 December 2024, the Remaining Group had a total of approximately 1,900 employees (as at 31 December 2023: approximately 2,200 employees) in PRC, Hong Kong, Germany, Austria, India and the United States.

The Remaining Group's remuneration policies and packages are reviewed by the remuneration committee of the Company on a regular basis while employees are remunerated based on the remuneration benchmarks in the industry and the prevailing market conditions, as well as their experiences and performance. In FY2024, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$521,000,000 (FY2023: HK$551,000,000), accounting for 26% (FY2023: 32%) of its revenue.

The Remaining Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefit schemes or Mandatory Provident Fund Schemes. The Remaining Group also continues to provide appropriate training programmes to its employees at different levels and positions on an ongoing basis in order to further enhance their skills, expertise and knowledge in production, operation and management while making continuous contribution to the Remaining Group.

In addition, the Company has adopted a share option scheme at the annual general meeting of the Company held on 21 May 2015 for the purpose of providing incentives to, among other participants, the full-time employee and Directors. For details of the share option scheme, please refer to the circular of the Company in relation to, among others, adoption of new share option scheme dated 20 April 2015.

Liquidity and Capital Resources

The Remaining Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

The Remaining Group strictly implemented prudent cost and cash flow management in order to ensure the continuous operation. During FY2024, the Remaining Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Remaining Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Remaining Group at the relevant time.

During FY2024, the Remaining Group's net cash inflow from operating activities was approximately HK$165,000,000. As at 31 December 2024, the Remaining Group's inventory level decreased to approximately HK$366,000,000 as compared to approximately HK$415,000,000 as at 31 December 2023.

As at 31 December 2024, bank and other borrowings of the Remaining Group amounted to approximately HK$1,185,000,000. The bank and other borrowings were sourced from the PRC, with 58% denominated in Renminbi and 42% in Hong Kong dollars. The Remaining Group's bank and other borrowings are predominantly subject to floating interest rates and fixed interest rates.

As at 31 December 2024, the Remaining Group's bank balances and cash amounted to approximately HK$251,000,000, of which 48% was denominated in Renminbi, 23% in United States dollars, 21% in Euros, 7% in Hong Kong dollars and the remaining 1% in other currencies.

As at 31 December 2024, the Remaining Group's gearing ratio, defined as net bank and other borrowings (other than payables in ordinary course of business) over total equity, increased to 105% (31 December 2023: 96%) and its current ratio was 0.53 (31 December 2023: 0.51).

During FY2024, the Remaining Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Remaining Group does not foresee significant exposure to exchange rate risks. No financial instruments were used for hedging purpose in FY2024.

As at 31 December 2024, the Remaining Group had not pledged any of its assets.

As at 31 December 2024, the Remaining Group did not have any material contingent liabilities.

The Remaining Group did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during FY2024.

(c) FY2025

Business Performance

During 2025, the chief operating decisionmaker have begun reviewing information based on the new reporting structure, and the segment reporting has been updated accordingly. The newly reportable segments include (i) manufacture and sale of dyeing and finishing machines, and (ii) manufacture and sale of stainless steel casting products and stainless steel supply chain. The Remaining Group's management believes that this change in segment disclosure better reflects the Remaining Group's latest business strategies, the development stages and financial performance of each business, and aligns more closely with the Remaining Group's resource allocation.

In FY2025, the Remaining Group recorded a consolidated revenue of approximately HK$2,147,000,000, representing an increase of 9% as compared to approximately HK$1,968,00,000 in the corresponding period, of which dyeing and finishing machinery business accounted for 78% and stainless steel casting products and stainless steel supply chain business accounted for 22%. The profit attributable to owners of the Company for the period was approximately HK$8,000,000 (for FY2024 loss of approximately HK$115,000,000). Both basic and diluted earnings per share were 0.73 HK cents as compared to loss per share of 10.41 HK cents for the corresponding period last year.

Manufacture and sale of Dyeing and Finishing Machines

In 2025, this business segment recorded a revenue of approximately HK$1,682,000,000, accounting for 78% of the Remaining Group's revenue and representing an increase of 10% from approximately HK$1,527,000,000 for FY2024. In particular, combined sales from the Hong Kong and Mainland China markets bounced back significantly by 16% from approximately HK$712,000,000 in FY2024 to approximately HK$823,000,000; while sales from overseas markets were approximately HK$859,000,000, representing an increase of 5% from approximately HK$815,000,000 in FY2024. An operating profit of approximately HK$16,000,000 was recorded for the year as compared to an operating loss of approximately HK$30,000,000 for FY2024. The business performance during FY2025 has significantly improved compared to the FY2024.

As a leading dyeing and finishing equipment manufacturer in the world, the Remaining Group has always been focusing on the research and development of dyeing and finishing machinery and will continue to increase its investment in technological research and development with a view to providing customers with more cost-effective products. The Remaining Group firmly believes that only by continuously innovating and addressing customers' pain points in actual use, providing them with practical benefits and enhancing their return on assets, can desire of customers to upgrade their equipment be stimulated.

Manufacture and Sale of Stainless Steel Casting Products and Stainless Steel Supply Chain

In FY2025, this business segment recorded a revenue of approximately HK$465,000,000, accounting for 22% of the Remaining Group's revenue and representing an increase of 5% as compared to approximately HK$441,000,000 for FY2024. Operating profit for the year amounted to approximately HK$44,000,000, while the operating profit for FY2024 was approximately HK$22,000,000. During the period, the Remaining Group has continued to optimise its organisational structure through effective management measures and strengthened efforts in implementing cost reduction and efficiency enhancement, enabling the gross profit margin returned to its previous normal level.

The Remaining Group remains optimistic about this business segment and the Board believes that the market demand for quality stainless steel castings and stainless steel material will continue to grow in the medium to long term, the operating revenue of this business segment will maintain a moderate growth, bring sustained profit contribution to the Remaining Group.

Employees and Remuneration Policy

As at 31 December 2025, the Remaining Group had a total of approximately 1,850 employees (as at 31 December 2024: approximately 1,900 employees) across the PRC, Hong Kong, Germany, and Austria. In FY2025, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$525,000,000 (FY2024: HK$521,000,000), accounting for 24% (FY2024: 26%) of its revenue.

The Remaining Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Remaining Group's remuneration policies and packages are reviewed by the remuneration committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Remaining Group's business performance. The Remaining Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefits schemes or Mandatory Provident Fund Schemes. The Remaining Group also offers appropriate training programs to employees at all levels and positions on an ongoing basis so as to improve staff's quality to better cope with the future development of the Remaining Group.

Liquidity and Capital Resources

The Remaining Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

The Remaining Group strictly implemented prudent cost and cash flow management in order to ensure the continuous operation. During FY2025, the Remaining Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Remaining Group at the relevant time.

During FY2025, the net cash inflow used in the Remaining Group's operating activities was approximately HK$79,000,000. As at 31 December 2025, the Remaining Group's inventory level increased to approximately HK$423,000,000 as compared to approximately HK$366,000,000 as at 31 December 2024.

As at 31 December 2025, the Remaining Group had bank and other borrowings of approximately HK$1,101,000,000. The bank and other borrowings were raised in Mainland China and Hong Kong, of which 74% were denominated in Renminbi and 26% in Hong Kong dollars. The Group's bank and other borrowings mainly bear interests at floating rates and fixed rates.

As at 31 December 2025, the Remaining Group's bank balances and cash amounted to approximately HK$199,000,000, of which 58% was denominated in Renminbi, 17% in Euros, 13% in United States dollars, 11% in Hong Kong dollars and the remaining 1% in other currencies.

As at 31 December 2025, the Remaining Group's gearing ratio, defined as net bank and other borrowings (other than payables in ordinary course of business) over total equity, decreased to 101% (31 December 2024: 105%) and its current ratio was 0.37 (31 December 2024: 0.53).

During FY2025, the Remaining Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. No financial instruments were used for hedging purpose in FY2025.

As at 31 December 2025, the Remaining Group had not pledged any of its assets.

As at 31 December 2025, the Remaining Group did not have any material contingent liabilities.

The Remaining Group did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during FY2025.

(e) Others

Future Plan for Material Investment or Capital Assets

As at the Latest Practicable Date, the Group has no plan for material investments or capital assets.

7. VALUATION RECONCILIATION STATEMENT

Shenzhen GoFiner Real Estate Appraisal & Consultation Co., Ltd (Zhongshan Branch) (深圳市國房土地房地產資產評估諮詢有限公司中山分公司), the independent professional valuer, has valued the Resumed Land to be disposed of by the Group as at 31 January 2026. Texts of the letter and valuation particulars are included in Appendix II to this circular.

The table below sets forth the reconciliation of the book value of the Resumed Land as at 31 December 2025 to the market value of the Resumed Land as at 31 January 2026 as included in the valuation report in Appendix II to this circular.

	HK$'000
Book value of the Resumed Land to be disposed of by the Group as at 31 December 2025	119,837
Less: Estimated depreciation and amortisation	325
Adjusted book value as at 31 January 2026	119,512
Valuation surplus	220,249
Market value of the Resumed Land as at 31 January 2026 as set out in the valuation report in Appendix II to this circular	339,761[(1)]

Note:

(1) Equivalent to approximately RMB306,879,085.

The following is an English translation of a real estate valuation report (excluding its appendices, of which can be assessed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.fongs.com) between the period of not less than 14 days from the date of this circular up to and including the date of the SGM) prepared for the purpose of incorporation in this circular received from Shenzhen GoFiner Real Estate Appraisal & Consultation Co., Ltd.* (深圳市國房土地房地產資產評估諮詢有限公司), an independent valuer, in connection with its opinion of value in the Cuichen Road Land using cost approach (with the land acquisition price determined using both the market approach and the benchmark land price adjustment method) are adopted as at 31 January 2026.

For the purposes of this Appendix II, in case of any inconsistency between the Chinese version and the English version of this circular, the Chinese version of this circular shall prevail.

SCOPE OF RESPONSIBILITIES

Zhongshan Cuiheng New District Management Committee has proposed the market-based resumption of industrial real estate of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. Having evaluated the land use rights, ground constructions (structures), young crops and losses caused by suspension of business and production at No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City, Shenzhen Guozheng Real Estate Assets Appraisal Consulting Co., Ltd., as the valuer of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., in assisting it in understanding the market value of the real estate,

hereby makes the following statement:

In valuing, we have complied with the requirements set out in Chapter 5 and article 4.1 in Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Valuation Standards published from time to time by the International Valuation Standards Council. Shenzhen Guozheng Real Estate Assets Appraisal Consulting Co., Ltd. was founded and registered with the Market Supervision and Regulation Bureau of Shenzhen Municipality on 11 August 2004 with the approval of the relevant competent authority. The company is a corporate member of China Institute of Real Estate Appraisers and Agents, member of China Real Estate Valuers and Agents Association and committee member of Shenzhen Appraisal Society.

The company has:

1. the Qualification Certificate of Real Estate Appraisal Institution issued by the Ministry of Housing and Urban-Rural Development of Guangdong Province, with the qualification grade of class I and the certificate number of "Guangdong Real Estate Appraisal No. 1 0200008", which is entitled to engage in real estate appraisal business of various purposes and types nationwide;

2. the Letter on the Registration Status of Shenzhen Guozheng Real Estate Assets Appraisal Consulting Co., Ltd. issued by the Department of Natural Resources of Guangdong Province, with the reference number of Guangdong Land Valuation and Reserve Bureau Document No. [2020] 0445, which is entitled to engage in land appraisal business nationwide;

3. the Announcement on the Registration and Filing of Shenzhen Guozheng Real Estate Assets Appraisal Consulting Co., Ltd. issued by the Finance Commission of Shenzhen Municipality, with the reference number: (Shenzhen Financial Assets Filing [2018] No. 63), which is entitled to engage in asset appraisal business nationwide.

LETTER TO THE VALUATION CLIENT

To Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.,

We have been entrusted to conduct on-site investigation and market research on the valuation object in accordance with the principles of independent, objective and fair valuation, strict valuation procedures, and relevant laws, policies and standards. We have also conducted professional analysis, calculation and judgment on the valuation object under reasonable assumptions, and have formed a property valuation report. The basic situation and valuation results are reported as follows:

Purpose of valuation:

Zhongshan Cuiheng New District Management Committee* (中山翠亨新區管理委員會) has proposed the market-based resumption of industrial real estate of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., and has evaluated the land use rights, ground constructions (structures), young crops and losses caused by suspension of business and production at No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City, in order to provide a value reference for the shareholders of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. to understand the compensation price.

Valuation Object:

The industrial land, constructions (structures) and young crops of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. are located at No. 101, Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City. The land use right area is 133,333.30 square meters. The specific number of constructions (structures) and young crops can be found in the "Property Map". The valuation scope includes land use rights, ownership of constructions (structures), value of interior decoration, relocation of young crops, and value of losses due to suspension of business and production, but does not include movable property (furniture and electrical appliances), debts and liabilities, franchise rights, and other property or rights.

Value time point: 31 January 2026

Type of valuation: Market value

Valuation method: Cost approach, with the land acquisition price determined using both the market approach and benchmark land price adjustment method.

Valuation results:

The total value of the valuation object at the valuation time point is **RMB306,879,085 (RMB three hundred and six million, eight hundred and seventy-nine thousand, eighty-five**, with the appraised value rounded to the nearest digit). (For details, please see the attached "Summary of Valuation Results")

Special note

The above content is extracted from the property valuation report. To understand the overall situation of this valuation project, you must carefully read the full text of the property valuation report. In particular, read the "Assumptions and Limitations of Valuation" carefully to avoid improper use and losses.

Shenzhen Guozheng Real Estate Assets Appraisal Consulting Co., Ltd.
Legal Representative: Yang Liyan
Date of Letter: 6 February 2026

SUMMARY OF VALUATION RESULTS

Valuation Client: Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

Valuation time point: 31 January 2026

Amount unit: RMB (Yuan)

No.	Project	Appraised value *(RMB yuan)*	Note
1	Land Use Rights	203,999,949	For details, please see the "Breakdown of Land Use Rights Assessment"
2	Constructions (structures)	84,230,724	For details, please refer to the "Breakdown of Constructions (structures) Valuation"
3	Young Crops	2,821,200	For details, please see the "Breakdown of Young Crops Relocation Compensation Valuation"
4	Losses Due to Suspension of Business and Production	15,827,212	For details, please see the "Breakdown of List of Compensation Valuation for Losses Due to Suspension of Business and Production Losses"
	Total	**306,879,085**	

Note:

Based on the financial data of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. provided by the Valuation Client, as of 31 January 2026, the net book value of the land use rights as shown in the table was RMB 28,981,756.43, and the aggregated net book value of the constructions (structures) thereof was RMB 62,100,990.59.

BREAKDOWN OF LAND USE RIGHTS VALUATION

Valuation Client: Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

Valuation time point: 31 January 2026

Amount unit: RMB (Yuan)

User of land use rights	Real Estate Title Certificate	Location of land	Nature of land use	Land use	Land use period	Degree of Development	Use status	Appraised area *(m^2)*	Appraised value: Ground land value *(RMB/sqm)*	Appraised value: Total value *(RMB)*
Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.	Guangdong (2017) Zhongshan City Real Estate Rights No. 0087209	No. 101, Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City	State-owned transfer	Industrial	Until 17 August 2060	Five accesses outside the red line, industrial real estate has been developed within the red line	The land and the ground constructions (structures) are for the property owner's own use	133,333.30	1,530	203,999,949

BREAKDOWN OF CONSTRUCTIONS (STRUCTURES) VALUATION

Valuation Client: Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

Valuation time point: 31 January 2026

Amount unit: RMB (Yuan)

						Appraised value			
No.	**Appraised Project**	**Storey of structure**	**Measurement unit**	**Number**	**Construction completion time**	**Replacement unit price** *(RMB/m²)*	**Total replacement value**	**Integrated newness rate**	**Current value** *(RMB)*
1	F001001 Real Estate	3 storey reinforced concrete structure	Square meter	31,325.44	2012	1,860	58,265,318	68%	39,620,416
2	F002001 Real Estate	1 storey steel frame	Square meter	15,842.13	2012	1,250	19,802,663	68%	13,465,811
3	F003001 Real Estate	1 storey steel frame	Square meter	10,661.45	2012	1,250	13,326,813	68%	9,062,233
4	F004001 Real Estate	1 storey steel frame	Square meter	1,070.48	2012	500	535,240	68%	363,963
5	F005001 Real Estae	3 storey reinforced concrete structure	Square meter	4,730.46	2012	2,500	11,826,150	68%	8,041,782
6	F006001 Real Estate	4 storey reinforced concrete structure	Square meter	5,312.07	2012	2,500	13,280,175	68%	9,030,519
7	F007001 Real Estate	1 storey reinforced concrete structure	Square meter	413.84	2012	1,620	670,421	68%	455,886

No.	Appraised Project	Storey of structure	Measurement unit	Number	Construction completion time	Appraised value Replacement unit price (RMB/m^2)	Total replacement value	Integrated newness rate	Current value (RMB)
8	F008001 Real Estate	1 storey reinforced concrete structure	Square meter	36.32	2012	1,620	58,838	68%	40,010
9	F009001 Real Estate	1 storey reinforced concrete structure	Square meter	247.97	2012	1,620	401,711	68%	273,163
10	F010001 Real Estate	1 storey reinforced concrete structure	Square meter	63.10	2012	1,620	102,222	68%	69,511
11	Wall 1	Height 3.0 m, length 606.89 m, thickness 0.24 m	Square meter	1,820.67	2012	540	983,162	52%	511,244
12	Wall 2	Height 3.0 m, length 114.19 m, thickness 0.24 m	Square meter	342.57	2012	540	184,988	52%	96,194
13	Wall 3	Height 3.0 m, length 233.40 m, thickness 0.24 m	Square meter	700.20	2012	540	378,108	52%	196,616
14	Wall 4	Height 3.0 m, length 382.34 m, thickness 0.24 m	Square meter	1,147.02	2012	540	619,391	52%	322,083

No.	Appraised Project	Storey of structure	Measurement unit	Number	Construction completion time	Replacement unit price (RMB/m^2)	Appraised value: Total replacement value	Appraised value: Integrated newness rate	Appraised value: Current value (RMB)
15	Cement road	Thickness 0.25m	Square meter	20,844.75	2012	240	5,002,740	52%	2,601,425
16	Eco-friendly bricks		Square meter	1,706.59	2012	90	153,593	52%	79,868
Total				–		–	125,591,533	–	84,230,724

BREAKDOWN OF YOUNG CROPS RELOCATION COMPENSATION VALUATION

Valuation Client: Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

Valuation time point: 31 January 2026

Amount unit: RMB (Yuan)

		Specification					Appraised value	
No.	Appraised Item	Diameter at Breast Height (DBH) *(m)*	Crown Diameter *(m)*	Height *(m)*	Measurement unit	Number	Unit price *(RMB/unit)*	Total value *(RMB)*
1	Autumn Maple	0.21–0.25		5–6	m^2	9530.49	59	562,299
2	Incense Tree	0.21–0.25		5–6	m^2	3316.09	59	195,649
3	Panaceae Holly	0.07–0.1		1.5–2	m^2	73.53	31	2,279
4	Britton's Wild Petunia				m^2	18.33	30	550
5	Brazil Bougainvillea				m^2	110	30	3,300
6	Fukien Tea				m^2	1,751.36	45	78,811
7	Weeping Fig	0.07–0.1		2	m^2	75.74	31	2,348
8	China Rose				m^2	210.15	27	5,674
9	Chinese Ixora				m^2	94.77	30	2,843
10	Golden Dewdrops				m^2	149.84	27	4,046
11	Mock Lime		1	1	per tree	36	60	2,160
12	Common Bombax	0.30		8	per tree	10	2,500	25,000
13	Sweet Osmanthus	0.10		2	per tree	1	1,200	1,200
14	Umbrella Tree	0.15		4–8	per tree	32	800	25,600
15	Madagascar Almond	0.2–0.3		8	per tree	114	1,200	136,800
16	Perfume Flower Tree		1	1	per tree	60	100	6,000
17	Taiwan Acacia	0.3		8	per tree	10	2,300	23,000
18	Flame Tree	0.7		10–12	per tree	68	6,000	408,000
19	Banyan	0.4		7–8	per tree	133	4,000	532,000
20	Hance's Syzygium	0.1		2	per tree	33	400	13,200
21	Incense Tree	0.1–0.15		4–8	per tree	25	600	15,000
22	Blackboard Tree	0.15		5	per tree	106	480	50,880
23	Yellow Stringybark	0.2		16–18	per tree	43	200	8,600
24	Guava Tree	0.1		4	per tree	1	400	400
25	Camphor Tree	0.2		14	per tree	151	2,000	302,000
26	Red Flowered Loropetalum		1	1	per tree	74	120	8,880
27	Orange Tree		1	1	per tree	1	180	180
28	White Jade Orchid Tree	0.2		10	per tree	2	2,000	4,000
29	Indian Rubberplant	0.2		10	per tree	13	1,200	15,600
30	Jack Fruit Tree	0.1		3	per tree	1	400	400
31	Cape Jasmine	0.05		1	per tree	2	30	60

		Specification					Appraised value	
No.	Appraised Item	Diameter at Breast Height (DBH) *(m)*	Crown Diameter *(m)*	Height *(m)*	Measurement unit	Number	Unit price *(RMB/unit)*	Total value *(RMB)*
32	Pomelo Tree	0.05		1	per tree	3	300	900
33	Glossy Shower	0.1		4	per tree	12	150	1,800
34	Mas Cotek	0.1		3	per tree	18	300	5,400
35	Violin Leaved Nut	0.1		3	per tree	1	50	50
36	Bamboo				per bush	13	70	910
37	Orchid Tree	0.15		8	per tree	4	180	720
38	Traveler's Palm	0.60		8	per tree	4	100	400
39	Sweet Osmanthus	0.10		3	per tree	48	1,200	57,600
40	Black Tea Tree	0.10		3	per tree	12	100	1,200
41	Spiny Date Palm	0.10		3	per tree	6	450	2,700
42	Silk Floss Tree	0.40		8	per tree	24	3,500	84,000
43	Royal Palm Tree	0.20		8	per tree	85	450	38,250
44	Council Tree	0.10		5	per tree	1	300	300
45	Camellia	0.10		2	per tree	1	100	100
46	Sago Palm				per bush	7	150	1,050
47	Live Oak	0.1		4	per tree	2	400	800
48	Common Crepe Myrtle	0.2		2	per tree	54	650	35,100
49	Queen Crepe Myrtle	0.1		4	per tree	30	300	9,000
50	Pink Powder Puff	0.1		1.5	per tree	27	130	3,510
51	Mango Tree	0.2		5	per tree	21	2,000	42,000
52	Lemon Tree	0.2		4	per tree	1	800	800
53	African Mahogany	0.8		12	per tree	2	6,000	12,000
54	Banana Tree				per bush	3	150	450
55	Longan Tree	0.2		3	per tree	40	2,100	84,000
56	Loquat Tree	0.2		3	per tree	1	1,400	1,400
Total		–	–	–	–	–	–	2,821,200

BREAKDOWN OF LIST OF COMPENSATION VALUATION FOR LOSSES DUE TO SUSPENSION OF BUSINESS AND PRODUCTION LOSSES

Valuation Client: Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

Valuation time point: 31 January 2026

Amount unit: RMB (Yuan)

Owner	Location	Actual Use	Average monthly net profit *(RMB)*	Compensation period *(months)*	Appraised value *(RMB)*	Note
Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.	No. 101, Cuicheng Road, Cuiheng New District, Zhongshan City	Industrial plant	3,956,803	4	15,827,212	–

CONTENTS

I. VALUERS' STATEMENT

We, based on our professional knowledge and ethics, respectfully state that:

1. The statements of the registered real estate valuers on the facts in the valuation report are true and accurate, and there are no false records, misleading statements and material omissions.

2. The analysis, opinions and conclusions in the valuation report are our independent, objective and fair professional analysis, opinions and conclusions, but are subject to the valuation assumptions and limiting conditions stated in the valuation report;

3. The registered real estate valuers have no actual or potential interests with the valuation object in the valuation report, have no interests with the valuation client and the interested persons of the valuation, and have no prejudice against the valuation object, the valuation client and the interested persons of the valuation;

4. The registered real estate valuers conduct analysis, form opinions and conclusions, and prepare the valuation report in accordance with the Code for Real Estate Appraisal (《房地產估價規範》) (GB/T50291-2015), the Standard for Basic Terms of Real Estate Valuation (《房地產估價基本術語標準》) (GB/T50899-2013) and other relevant real estate appraisal standards.

5. No one provided significant professional assistance for this report.

II. ASSUMPTIONS AND LIMITING CONDITIONS OF VALUATION

1. General assumptions

(1) The valuation client provided the Real Estate Title Certificate, the land parcel map, and the property map of the valuation object. Having carefully checked the ownership, area, usage, etc. recorded in the information, according to the Legal Opinion of Beijing Dacheng Law Offices, LLP on the Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. (《北京大成律師事務所關於立信門富士紡織機械(中山)有限公司處置閒置土地及地上建築物之法律意見書》) issued by the PRC legal advisor of the client, Beijing Dacheng Law Offices, LLP, in the absence of any reason to doubt the legality, authenticity, accuracy and completeness of the above information, we assume that the information provided by the valuation client is legal, authentic, accurate and complete. Based on the above information, the Company prepared the real estate valuation report on the basis that the owner of the valuation object has the right to use the land for the entire period before the expiration of the approved land use period and that the land was legally acquired and the ownership is clear.

(2) Registered real estate valuers paid attention to the major factors affecting the value of the valuation object, such as the property safety and environmental pollution of the valuation object. According to the on-site inspection by the registered real estate valuer, the valuation object is currently in normal use. In the absence of reasons to doubt the existence of potential safety hazards of the valuation object and the corresponding evaluation and testing by professional institutions, it is assumed that there are no issues of property safety and environmental pollution of the valuation object.

(3) The land area involved in this valuation shall be based on the records in the Real Estate Title Certificates provided by the valuation client; the specific number of buildings and young crops shall be based on the records in the property map provided by the valuation client.

(4) The purpose of valuation is that Zhongshan Cuiheng Urban Renewal Co., Ltd. (中山翠亨城市更新有限公司) has completed the market-based resumption of industrial real estate of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., and has evaluated the land use rights, ground constructions (structures), young crops and losses caused by suspension of business and production at No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City, in order to provide a value reference for the shareholders of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. to understand the compensation price. The appraisal price is made with reference to similar projects in Zhongshan City and in accordance with the compensation standards stipulated in the document "Implementation Opinions of the Zhongshan Municipal People's Government on Compensation for Land Acquisition for Public Welfare Projects in Zhongshan City" (《中山市人民政府關於中山市公益性項目用地徵收補償的實施意見》) (Zhongfu [2019] No. 107).

(5) The valuation object is an industrial site that has been developed and completed. As confirmed by the Valuation Client, as of the date of this report, the property right owner has no plans to construct, renovate, improve, sell or alter the use of the land or buildings. This valuation is based on the premise that the valuation object will continue to be used in its current state.

2. Assumption of uncertain matters

Assumptions of uncertain matters refer to the assumptions made by a valuer, based on reasonable judgement and the most probable scenario, when certain matters necessary for the valuation are not yet clear or are insufficiently clear (such as planning conditions including land use and plot ratio).Such assumptions are intended to fill in the gaps in information and ensure that the valuation process can proceed. There are no matters in the valuation of the project that remain unclarified or insufficiently clarified, so there are no assumptions about uncertainties in the valuation report.

3. Assumption of deviation from facts

The purpose of this valuation is to provide a value reference for the shareholders of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. to understand the purchase and storage price. Therefore, the impact of factors such as leasing, mortgage, seizure, etc. that may exist on the valuation object is not taken into account. Users of the relevant report are requested to pay attention to this.

4. Inconsistency assumption

(1) The Real Estate Title Certificate of the valuation object records that the property of the valuation object was built in 2017. After onsite investigation, the property of the valuation object was found to be built in 2012. The year of completion of the property of the valuation is based on the actual investigation, and it is only used in this report and not used for any other purposes, and the report will need to be adjusted in the event of any discrepancy with that recognised by the relevant departments.

(2) The onsite inspection for the valuation was conducted on 5 February 2026, and the valuation time point was 31 January 2026 according to the letter of engagement, and the time of the measurement and accounting of the structures, young crops, etc. recorded in the property floor plan is 28 January 2024. The relevant data recorded in the property map was collectively confirmed on-site by the relevant rights holders and the staff of Zhongshan Huaxing Surveying and Mapping Engineering Co., Ltd., (中山市華星測繪工程有限公司) and Zhongshan Cuiheng New District Urban Construction and Management Bureau (中山翠亨新區城市建設與管理局). According to the letter of engagement, the specifications and quantities of the buildings, structures and young crops included in the valuation object shall be based on the records in the "property map" and subsequent circumstances shall not be taken into account.

(3) The name of the right holder listed in the Real Estate Title Certificate is Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., and the name of the right holder listed on the property map is Monforts Fong's Dyeing and Finishing Machinery (Guangdong) Co., Ltd. (立信染整機械(廣東)有限公司). The rights holder set out in this valuation is the certificate rights holder, namely Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

5. Assumption of insufficient basis

According to the "Implementation Opinions of the Zhongshan Municipal People's Government on the Expropriation and Compensation of Land for Public Welfare Projects in Zhongshan" (Zhongfu [2019] No. 107), the losses from suspension of production and business shall in principle be based on the actual average monthly after-tax profit within one year before the property is expropriated. If no proof of tax payment status can be provided or the after-tax profit cannot be calculated, it shall be calculated based on the average after-tax profit of the same industry in the region in the previous year or the market rent of similar houses. The compensation period for suspension of production and business is 6 months. In this report, the average monthly net profit of the previous year is calculated based on the monthly profit statements from February 2025 to January 2026 provided by Monforts Fong's, and the compensation period is calculated as 4 months according to the valuation engagement letter.

6. Restriction on the use of valuation report

(1) This valuation report only evaluates the market value of the valuation object under the assumptions and restrictions stated in the report. The disclosure of the ownership of the valuation object in the report cannot be used as the basis for confirming its ownership. The ownership of the valuation object shall be determined by the competent management department.

(2) This valuation report is only applicable to this valuation purpose and cannot be used for other purposes. The real estate valuation institution and the valuer shall not bear any responsibility for any consequences caused by the improper use of the valuation report by the valuation client.

(3) The term of use of this valuation report is one year from the date of issuance of the valuation report (from 6 February 2026 to 5 February 2027). If there is any material change in the conditions of the real estate market or the valuation object during the term of use of this report, the valuation results shall be adjusted accordingly or revalued by the valuation institution.

(4) The whole or part of this valuation report shall not be published in any public media without the consent of the Company, except as provided for by laws and administrative regulations and otherwise agreed by the relevant parties, and the right of interpretation of the report shall be vested in the appraising company.

7. Other matters requiring explanations

(1) The valuation result reflects the market price of the valuation object for the purpose of this valuation. The valuation does not take into account the impact of changes in national macroeconomic policies, changes in market supply relations, changes in market structure, natural forces and other force majeure on the value of real estate, and special transaction prices under special transaction methods. When the above conditions change, the valuation results will generally change.

(2) The property rights and other relevant materials used in the valuation report are provided by the valuation client and related parties. If the information they provide lacks legality, authenticity, accuracy and completeness, or conceals major issues and facts about the valuation object, the Company will not bear any valuation risks and responsibilities arising therefrom.

(3) According to the Legal Opinion of Beijing Dacheng Law Offices, LLP on the Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. issued by the PRC legal advisor of the client, Beijing Dacheng Law Offices, LLP, the valuation object is not subject to any leasehold arrangements except for an established mortgage, not involved in any material litigation, arbitration, or administrative penalties, and there are no instances of judicial freezing, seizure, or any disputes with third parties that may affect the land rights. The land and buildings thereon are also free from any exercisable options or preemptive rights. The statements in this report regarding the rights status of the valuation object are based on the aforementioned legal opinion and do not constitute a guarantee of their authenticity or objectivity.

(4) The appendices to this report are important components of the report and have the same validity as the main text of the report and shall be treated as inseparable.

III. VALUATION RESULTS REPORT

1. Valuation Client

Name:	Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.
Address:	No. 19, Xiangshan Avenue, Cuiheng New District, Zhongshan City.

2. Real Estate Valuation Institution

Name:	Shenzhen GoFiner Land, Real Estate Assessment & Assets Evaluation Consulting Co., Ltd.
Legal representative:	Yang Liyan
Address:	Floor 11, Building 1, North Public Transportation Building, Lianhua Road, Futian District, Shenzhen
Unified social credit code:	9144030076499288XX

Filing level:	Tier 1
Certificate no.:	Guangdong Real Estate Appraisal No. 1 0200008
Validity period:	As at 07 November 2027
Contact No.:	0760-88383989

3. Valuation Purpose

Zhongshan Cuiheng New District Management Committee* (中山翠亨新區管理委員會) has proposed the market-based resumption of industrial real estate of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., and has evaluated the land use rights, ground constructions (structures), young crops and losses caused by suspension of business and production at No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City, in order to provide a value reference for the shareholders of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. to understand the compensation price.

4. Valuation Object

(1) Definition of the scope of the valuation object:

The industrial land, constructions (structures) and young crops of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. are located at No. 101, Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City. The land use right area is 133,333.30 square meters. The specific number of constructions (structures) and young crops can be found in the "property map". According to the Real Estate Title Certificate, the land parcel map, and the property map of the valuation object provided by the valuation object, and the Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. issued by the PRC legal advisor Beijing Dacheng Law Offices, LLP, Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. has obtained the land use rights and the ownership of the buildings on the valuation object. Therefore, the valuation scope includes land use rights, ownership of constructions (structures), value of interior decoration, relocation of young crops, and value of losses due to suspension of business and production, but does not include movable property (furniture and electrical appliances), debts and liabilities, franchise rights, and other property or rights.

(2) Physical Status

Physical status of the land	**Name**	The land use rights located at No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City.
	Address	No. 101 Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City
	Land surroundings	The land parcel where the valuation object is located is bordered by Xiangshan Avenue in the east, Hexin Road in the south, Wugui Road in the west, and the adjacent land parcel in the north.
	Area	The land use right area is 133,333.30 m^2.
	Use	Industrial.
	Shape	The land parcel where the valuation object is located has a regular shape.
	Landscape	The land parcel where the valuation object is located has a flat landscape.
	Degree of land development	The degree of land development is at the stage of five access (namely road access, water supply, electricity supply, drainage, communication). All infrastructure facilities are complete, and industrial real estate has been developed within the red line.

On-site inspection findings Based on the specifications, quantities, areas, structural types and other details listed in the valuation data provided by the client – including land use rights, ground constructions (structures), and young crops – the boundaries, shape and topography of the land to be valued are observed and verified. On-site inspections are carried out on the main buildings. In conjunction with a review of the property map, the inspections focus primarily on the structural integrity of the buildings, their finishes and fittings, and the condition and operational status of facilities such as water supply and drainage, electricity, lighting, fire safety and ventilation systems. Following a detailed inspection and verification, it is found that the number of buildings and their structures correspond to those shown on the property map, the floor area is broadly consistent with that shown on the property map, and all buildings are in normal use, well maintained, and their facilities and equipment are operating normally.

Physical status of the constructions (structures) are as follows:

No.	Project name	Storey of structure	Measurement unit	Number	Notes
1	F001001 Real Estate	3 storey reinforced concrete structure	Square meter	31,325.44	Plant, certificate obtained
2	F002001 Real Estate	1 storey steel frame	Square meter	15,842.13	Plant, certificate obtained

No.	Project name	Storey of structure	Measurement unit	Number	Notes
3	F003001 Real Estate	1 storey steel frame	Square meter	10,661.45	Plant, certificate obtained
4	F004001 Real Estate	1 storey steel frame	Square meter	1,070.48	Corridor, certificate obtained
5	F005001 Real Estae	3 storey reinforced concrete structure	Square meter	4,730.46	Comprehensive building (canteen, dormitory), certificate obtained
6	F006001 Real Estate	4 storey reinforced concrete structure	Square meter	5,312.07	Office, certificate obtained
7	F007001 Real Estate	1 storey reinforced concrete structure	Square meter	413.84	Dangerous goods warehouse, certificate obtained
8	F008001 Real Estate	1 storey reinforced concrete structure	Square meter	36.32	Certificate not obtained
9	F009001 Real Estate	1 storey reinforced concrete structure	Square meter	247.97	Certificate not obtained
10	F010001 Real Estate	1 storey reinforced concrete structure	Square meter	63.10	Certificate not obtained
11	Wall 1	Height 3.0 m, length 606.89 m, thickness 0.24 m	Square meter	1,820.67	–
12	Wall 2	Height 3.0 m, length 114.19 m, thickness 0.24 m	Square meter	342.57	–
13	Wall 3	Height 3.0 m, length 233.40 m, thickness 0.24 m	Square meter	700.20	–

No.	Project name	Storey of structure	Measurement unit	Number	Notes
14	Wall 4	Height 3.0 m, length 382.34 m, thickness 0.24 m	Square meter	1,147.02	–
15	Cement road	Thickness 0.25m	Square meter	20,844.75	–
16	Eco-friendly bricks	–	Square meter	1,706.59	–

Status of young crops are as follows:

		Specification				
No.	Name	Diameter at Breast Height (DBH) *(m)*	Crown Diameter *(m)*	Height *(m)*	Measurement unit	Number
1	Autumn Maple	0.21–0.25		5–6	m^2	9,530.49
2	Incense Tree	0.21–0.25		5–6	m^2	3,316.0
3	Panaceae Holly	0.07–0.1		1.5–2	m^2	73.5
4	Britton's Wild Petunia				m^2	18.33
5	Brazil Bougainvillea				m^2	110
6	Fukien Tea				m^2	1,751.36
7	Weeping Fig	0.07–0.1		2	m^2	75.74
8	China Rose				m^2	210.15
9	Chinese Ixora				m^2	94.77
10	Golden Dewdrops				m^2	149.84
11	Mock Lime		1	1	per tree	36
12	Common Bombax	0.30		8	per tree	10
13	Sweet Osmanthus	0.10		2	per tree	1
14	Umbrella Tree	0.15		4–8	per tree	32
15	Madagascar Almond	0.2–0.3		8	per tree	114
16	Perfume Flower Tree	1	1		per tree	60
17	Taiwan Acacia	0.3		8	per tree	10
18	Flame Tree	0.7		10–12	per tree	68
19	Banyan	0.4		7-8	per tree	133
20	Hance's Syzygium	0.1		2	per tree	33
21	Incense Tree	0.1–0.15		4–8	per tree	25

No.	Name	Specification: Diameter at Breast Height (DBH) (m)	Specification: Crown Diameter (m)	Specification: Height (m)	Measurement unit	Number
22	Blackboard Tree	0.15		5	per tree	106
23	Yellow Stringybark	0.2		16–18	per tree	43
24	Guava Tree	0.1		4	per tree	1
25	Camphor Tree	0.2		14	per tree	151
26	Red Flowered Loropetalum		1	1	per tree	74
27	Orange Tree		1	1	per tree	1
28	White Jade Orchid Tree	0.2		10	per tree	2
29	Indian Rubberplant	0.2		10	per tree	13
30	Jack Fruit Tree	0.1		3	per tree	1
31	Cape Jasmine	0.05		1	per tree	2
32	Pomelo Tree	0.05		1	per tree	3
33	Glossy Shower	0.1		4	per tree	12
34	Mas Cotek	0.1		3	per tree	18
35	Violin Leaved Nut	0.1		3	per tree	1
36	Bamboo				per bush	13
37	Orchid Tree	0.15		8	per tree	4
38	Traveler’s Palm	0.60		8	per tree	4
39	Sweet Osmanthus	0.10		3	per tree	48
40	Black Tea Tree	0.10		3	per tree	12
41	Spiny Date Palm	0.10		3	per tree	6
42	Silk Floss Tree	0.40		8	per tree	24
43	Royal Palm Tree	0.20		8	per tree	85
44	Council Tree	0.10		5	per tree	1
45	Camellia	0.10		2	per tree	1
46	Sago Palm				per bush	7
47	Live Oak	0.1		4	per tree	2
48	Common Crepe Myrtle	0.2		2	per tree	54
49	Queen Crepe Myrtle	0.1		4	per tree	30
50	Pink Powder Puff	0.1		1.5	per tree	27
51	Mango Tree	0.2		5	per tree	21
52	Lemon Tree	0.2		4	per tree	1
53	African Mahogany	0.8		12	per tree	2
54	Banana Tree				per bush	3
55	Longan Tree	0.2		3	per tree	40
56	Loquat Tree	0.2		3	per tree	1

(3) Status of interests:

Status of land interest	Status of land ownership	The land use right type of the valuation object is state-owned and belongs to the state.
	Status of land use rights	According to the Real Estate Title Certificate Guangdong (2017) Zhongshan Real Estate No. 0087209, the land use rights owner is Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. The land shall be used for industrial purposes. The land area is 133,333.30 square meters, and the expiry date of the right to use is 17 August 2060.
	Land use control	There is no land use control on the valuation object.
Interest status of the construction	According to the information provided by the client and the client's requirements, the area of the constructions (structures) is based on the "property map" provided by the valuation client. The area of certified construction is 69,355.87 square meters, and the area of uncertified construction is 347.39 square meters.	
Status of interest acquisition	According to the Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. issued by the PRC legal advisor, Beijing Dacheng Law Offices, LLP, on 29 July 2010, Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., as the transferee, signed the "Contract for Granting the Right to Use the Land for State-owned Construction" with the Zhongshan Land Bureau and acquired the land use right of the land parcel under valuation. According to the Real Estate Title Certificate Guangdong (2017) Zhongshan Real Estate No. 0087209, the above-ground constructions were self-built and completed on 14 April 2017. Therefore, the valuation objects were all legally acquired by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., and the ownership is clear.	

Local tax situation	According to the Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. issued by the PRC legal advisor, Beijing Dacheng Law Offices, LLP, the right holder has paid all the land transfer fees. According to relevant laws and regulations, the owner of the valuation object needs to pay urban land use tax and property tax every year. The specific amount to be paid is collected by the tax department based on the land and house area and the original value of the property. According to the Certificate of Tax Completion of the People's Republic of China (《中華人民共和國稅收完稅證明》) provided by the client, the valuation object has paid urban land use right of RMB133,333.3 and property tax of RMB1,354,932.11 in 2024. When real estate is transferred, value-added tax and surcharges, corporate income tax and land value-added tax are subject to collection, which shall be implemented by local tax authorities in accordance with relevant laws.
Status of other rights establishment	According to the Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. issued by the PRC legal advisor, Beijing Dacheng Law Offices, LLP, the valuation object is mortgaged, and the mortgagee is Zhongshan Branch of Industrial Bank Co., Ltd. The mortgage is valid from 8 September 2022 to 8 September 2024. According to the "Maximum Mortgage Contract" renewed with Zhongshan Branch of Industrial Bank Co., Ltd. provided by the client, the validity period of the renewed mortgage is from 5 December 2024 to 5 December 2027. The valuation time point is within the validity period of the mortgage contract. According to the legal opinion and the communication with the client, the valuation is not subject to any leasehold or sublease arrangements nor are there any intra-group leases whereby the parent company of the subject of the valuation grants premises used by the group to a subsidiary. Theland and buildings thereon are also free from any exercisable options or preemptive rights. Based on the purpose of this valuation. Based on the purpose of this valuation, the assessment does not take into account other rights such as mortgages, security rights, easements, and surface and underground rights that may exist on the valuation object.

Other property rights encumbrances	According to the Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. issued by the PRC legal advisor, Beijing Dacheng Law Offices, LLP, the valuation object has not been involved in any major litigation, arbitration or administrative penalty, and has not been frozen or sealed by any judicial authority or has any dispute with any third party that would affect the land rights and interests. According to the client's explanation, the valuation object does not have any property rights encumbrances such as easements, surface and underground rights, etc.

(4) Location status

Location status description	Location	The valuation object is located at No. 101, Cuicheng Road, Cuiheng New District, Torch Development Zone, Zhongshan City
	Bearing	The valuation object is located in the eastern part of Zhongshan City and the central part of Cuiheng New District.
	Distance to important places (facilities)	It is about 6.6 kilometres away from the entrance of the Shenzhen-Zhongshan Link and about 1 kilometre away from the Cuiheng New District Government Service Center.
	Street (road) conditions	It is bordered by roads on three sides, Xiangshan Avenue to the east, Hexin Road to the south, and Wugui Road to the west. Among them, Xiangshan Avenue is adjacent to a main traffic arterial road.

Description of traffic conditions	Road conditions	There are main roads such as Beichen Road and Weilai Avenue in the area, and the secondary roads are unobstructed and in good condition. The regional road network is dense with high road access.
	Accessible transportation	It is mainly occupied by private cars and freight trucks. There is a bus stop nearby, but there are few bus routes.
	Traffic control conditions	There is no traffic control.
	Parking convenience	Parking is available in the valuation area, and the parking convenience is relatively good.
Description of environmental conditions	Natural environment	The area is mainly composed of plants with an average natural environment.
	Human environment	The area is mainly composed of plants with an average human environment.
	Landscape	The area is mainly composed of plants with an average landscape.
Description of external supporting facilities	Infrastructure	The infrastructure reaches five access, namely road access, water supply, electricity supply, drainage and communication.
	Public service facilities	The area is home to Cuihu Park, Zhongshan Memorial Primary School, Guangdong Zhongshan Cuiheng National Wetland Park, Xiwan Foreign Language School (North Campus), etc. The public supporting facilities are generally well-developed.

(5) Other special circumstances

Apart from those listed above, there are no other factors or matters that could significantly affect the value of the subject of the valuation.

5. Value Time Point

According to the valuation engagement letter, the value time point is 31 January 2026.

6. Value Type

According to the purpose of this valuation, market conditions and circumstances of the valuation subject, the value type of the valuation subject is determined to be market value.

Market value refers to the estimated value of the valuation subject in a normal and fair transaction on the valuation benchmark date between a willing buyer and a willing seller, each acting rationally and without any coercion.

7. Valuation Principles

In this valuation, the principles we followed mainly include: independence, objectivity, impartiality, legality, maximum and best use, substitution, and value time point.

Principles of independence, objectivity and impartiality: the principle requires, on the basis of neutral viewpoint and pragmatic manner, a fair and upright assessment for each of the interested persons of the valuation are fair and reasonable value or price.

Principle of legality: the principle requires the valuation results to be the value or price under the condition of the valuation object determined in accordance with the law.

Principle of maximum and best use: the principle requires the valuation results to be the value or price under the maximum and best use of the valuation object. The maximum and best use refers to the reasonable and possible use of the real estate that is legally permissible, technically feasible, financially feasible and with maximised value, including the best use, scale, grade, etc.

Principle of substitution: the principle requires the valuation result to deviate from the value or price of similar real estate under the same conditions within a reasonable range.

Principle of value time point: the principle requires the valuation results to be the value or price at a specific time determined according to the valuation purpose.

8. Valuation Basis

(1) Relevant laws, regulations and policies

(a) The Civil Code of the People's Republic of China (Order of the President of the People's Republic of China No.45) (《中華人民共和國民法典》(中華人民共和國主席令第45號)) (passed by the Third Session of the 13th National People's Congress on 28 May 2020 and effective from 1 January 2021);

(b) Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (The Land Administration Law and the Urban Real Estate Administration Law were passed by the Twelfth Session of the 13th National People's Congress on 26 August 2019 and were effective from 1 January 2021);

(c) Implementation Rules of the Law of the People's Republic of China on Land Administration (《中華人民共和國土地管理法實施條例》) (Revised for the third time by Order No. 743 of the State Council of the People's Republic of China on 2 July 2021, effective from 1 September 2021)

(d) Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (The Land Administration Law and the Urban Real Estate Administration Law were passed by the Twelfth Session of the 13th National People's Congress on 26 August 2019 and were effective from 1 January 2021);

(e) Urban and Rural Planning Law of the People's Republic of China (Order No. 29 of the President of the People's Republic of China) (《中華人民共和國城鄉規劃法》(中華人民共和國主席令第29號)) (Revised for the second time by the Decision of the Standing Committee of the National People's Congress on Amending Eight Laws in the Tenth Session of the 13th National People's Congress on 23 April 2019 and was effective from 23 April 2019);

(f) Asset Valuation Law of the People's Republic of China (Order No. 46 of the President of the People's Republic of China) (《中華人民共和國資產評估法》(中華人民共和國主席令第46號)) (Passed by the Twenty-First Session of the 12th National People's Congress on 2 July 2016, effective from 1 December 2016);

(g) National, provincial and municipal laws, regulations, systems and documents relevant to real estate valuation.

(2) Technical standards, procedures, specifications

(a) Code for Real Estate Appraisal of National Standard of the People's Republic of China GB/T50291-2015 ((中華人民共和國國家標準 GB/T50291-2015)《房地產估價規範》);

(b) Standard for Basic Terms of Real Estate Valuation of National Standard of the People's Republic of China GB/T50899-2013 ((中華人民共和國國家標準GB/T50899-2013)《房地產估價基本術語標準》);

(c) Rating Standard for the Condition of Houses issued by the Ministry of Construction (《房屋完損等級評定標準》) (Chengzhuzi [1984] No. 678, implemented on 8 November 1984)

(d) Zhongshan City 2025 Urban Benchmark Land Price

(e) Implementation Opinions of the People's Government of Zhongshan City on Compensation for Land Acquisition for Public Welfare Projects in Zhongshan City (Zhongfu [2019] No. 107)

(3) Other relevant information provided by the valuation client

(a) Real Estate Title Certificate;

(b) Land parcel map;

(c) Property map;
(d) Engagement letter in respect of valuation;

(e) Reply on the Approval of Expropriation by the Government of the Land and Constructions Erected Thereon of Fuji Zhongshan and Fong's Guangdong, Subsidiaries of CHTC Group (《關於同意恒天集團下屬門富士中山、立信廣東土地及地上建築物交政府徵收的批復》);

(f) Minutes of the General Manager's Office Meeting of CHTC Fong's Industries Co., Ltd.(《中國恒天立信國際有限公司總經理辦公會議紀要》);

(g) Monthly Profit and Loss Statement of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. from February 2025 to January 2026 and the List of NetBook Values for the Land and Constructions (Structures) BuiltThereon;

(h) Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.;

(i) Certificate of Tax Completion of the People's Republic of China;

(j) Maximum mortgage contract.

(4) Relevant information collected by the valuers

(1) Other relevant information collected by valuers from on-site survey and by valuation institution;

(2) Data and information on the real estate market conditions in the area where the valuation object is located, similar real estate market transactions, etc.

9. Valuation Method

(1) Reasons for valuation method selection

According to the Code for Real Estate Appraisal (the "**Code**"), the current valuation methods include but not limited to income method, comparison method, cost method, hypothetical development method. The selection of valuation method should be in accordance with the Code of valuation, according to the development of the local real estate market and combined with the specific characteristics including valuation object and the valuation purpose to select an appropriate valuation method.

The valuers have conducted an in-depth and detailed analysis of the characteristics and actual conditions of the project, and have studied the information provided by the client and the information available to the Company. Based on on-site investigation and research, it is believed that:

(a) The valuation object is a self-built industrial plant on land. Its cost is easy to calculate and is suitable for cost method valuation. According to the valuation purpose and the actual situation of the valuation object, this valuation adopts separate valuation approaches for real estate; for the evaluation of the land re-purchase price, the land market transaction in the area where the valuation object is located is relatively active, and there are many transaction examples of land with similar uses to the valuation object, so the comparison method can be selected. Since the valuation object is located within the area covered by the benchmark land price in Zhongshan City, the benchmark land price correction method can be used. Therefore, the comparison method and the benchmark land price modification method are used to determine the objective value of the land.

(b) Valuation method of structures and young crops:

The projects of structures and relocation of young crops are not independently operated. The values of structures and relocation of young crops are determined according to the Implementation Opinions of the Zhongshan Municipal People's Government on Compensation for Land Acquisition for Public Welfare Projects in Zhongshan City (Zhongfu [2019] No. 107).

(c) Valuation method of suspension of production and business

According to the Implementation Opinions of the Zhongshan Municipal People's Government on Compensation for Land Acquisition for Public Welfare Projects in Zhongshan City (Zhongfu [2019] No. 107), in principle, the loss incurred from suspension of production and business shall be based on the actual average monthly after-tax profit within one year before the property is expropriated. If the tax payment status certificate cannot be provided or the after-tax profit cannot be calculated, the loss shall be calculated based on the average after-tax profit of the same industry in the region in the previous year or the market rent of similar properties. In this report, the average monthly net profit of the previous year is calculated based on the monthly profit statements from February 2025 to January 2026 provided by Monforts Fong's, and the compensation period is calculated as 4 months as recorded in the valuation engagement letter.

(2) Name and definition of valuation method

(a) The cost method refers to the method of estimating and calculating the replacement cost or reconstruction cost and depreciation of the valuation object at the value time point, and multiplies the replacement cost or reconstruction cost by the newness rate to obtain the value or price of the valuation object. The basic formula is as follows:

Formula of cost method calculation: V = L+B

Of which:

V – Real estate value

L – Land reconstruction price

B – Construction value

Land reconstruction price = land acquisition cost + land acquisition tax + land development cost + management cost + sales cost + investment interest + sales tax + development profit

Construction replacement price = construction and installation engineering costs + professional fees + management fees + sales expenses + investment interest + sales taxes + development profits

Construction value = construction replacement price × newness rate

(b) The comparison method refers to the method of selecting a certain number of comparable examples, comparing them with the valuation object, and obtaining the value or price of the valuation object after processing the transaction price of the comparable examples according to the difference between them. The basic formula is as follows:

Appraised value = comparable instance price × transaction situation correction factor × market situation correction factor × regional situation correction factor × equity situation correction factor × physical situation correction factor.

(c) The benchmark land price modification method uses the evaluation results such as urban benchmark land prices and benchmark land price modification coefficient tables to compare the regional conditions and individual conditions of the valuation object with the average conditions of the area where it is located according to the principle of substitution, and selects the corresponding modification coefficient from the modification coefficient table to modify the benchmark land price, thereby obtaining the price of the valuation object at the value point. The basic formula is as follows:

$P(L) = P(B) \times (1+) \times Kv \times Ky \times Kq \times Kl \times Kg \times Kt \pm D$

Where:

P(L)	Land price per unit area of the land parcel to be appraised
P(B)	Benchmark land price per unit area of the area where the land parcel to be appraised is located
Ki	Modification coefficient of the i-th regional factor
Kv	Floor area ratio modification factor, optional
Ky	Modification coefficient of land use term
Kq	Modification coefficient of date
Kl	Modification coefficient of adjacent road conditions
Kg	Modification coefficient of other individual factors
D	Modification value of land development degree
Kt	Land use type modification

(d) The values of structures and relocation of young crops are determined according to the Implementation Opinions of the Zhongshan Municipal People's Government on Compensation for Land Acquisition for Public Welfare Projects in Zhongshan City (Zhongfu [2019] No. 107).

(e) According to the Implementation Opinions of the Zhongshan Municipal People's Government on Compensation for Land Acquisition for Public Welfare Projects in Zhongshan City (Zhongfu [2019] No. 107), the appraisal of compensation for loss incurred from business and production suspension is determined according to the following formula:

Appraised value = average monthly net profit of the previous year × compensation period (months)

Where: The average monthly net profit of the previous year is calculated based on the monthly profit statements from February 2025 to January 2026 provided by Monforts Fong's, and the compensation period is calculated as 4 months in accordance with the valuation engagement letter.

10. Valuation Results

The total value of the valuation object at the valuation time point is RMB306,879,085 (RMB three hundred and six million, eight hundred and seventy-nine thousand, eighty-five, with the appraised value rounded to the nearest digit). Please see the "Summary of Valuation Results" for details.

11. Registered Real Estate Valuer

Name	Registration number	Address	Signature Date
Peng Xiaoli	4420090063	Floor 11, Building 1, North Public Transportation Building, Lianhua Road, Futian District, Shenzhen	6 February 2026
Su Donghui	4420070047	Floor 11, Building 1, North Public Transportation Building, Lianhua Road, Futian District, Shenzhen	6 February 2026

Peng Xiaoli and Su Donghui are both members of the China Institute of Real Estate Appraisers and Agents and the China Real Estate Valuers and Agents Association. They have accumulated more than 20 years of experience in the sectors of real estate and land appraisal in Zhongshan City, Guangdong Province, the People's Republic of China. They fully understand the current real estate market conditions in Zhongshan City and have the theoretical and relevant knowledge required to perform real estate appraisal work.

12. On-Site Survey Period

On 5 February 2026, registered real estate valuer Su Donghui conducted an on-site survey of the valuation object. We conducted an on-site survey of the valuation object to the extent necessary for the valuation, but our survey of the valuation object was limited to its appearance and we did not conduct structural measurements and equipment tests to confirm whether the valuation object had structural damage or other defects.

13. Valuation Operation Period

31 January 2026 to 6 February 2026.

IV. APPENDICES

1. On-site inspection photographs of the valuation object;

2. Location diagram of the valuation object;

3. Real Estate Title Certificate (copy);

4. Land parcel map (copy);

5. Property map (copy);

6. Engagement letter in respect of valuation (copy);

7. Reply on the Approval of Expropriation by the Government of the Land and Constructions Erected Thereon of Fuji Zhongshan and Fong's Guangdong, Subsidiaries of CHTC Group (《關於同意恒天集團下屬門富士中山、立信廣東土地及地上建築物交政府徵收的批復》);

8. Minutes of the General Manager's Office Meeting of CHTC Fong's Industries Co., Ltd.(《中國恒天立信國際有限公司總經理辦公會議紀要》);

9. Monthly Profit and Loss Statement of Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. from January 2025 to February 2026 and the List of Net Book Values for the Land and Constructions (Structures) Built Thereon;

10. Legal Opinion of Beijing Dacheng Law Offices, LLP on Disposal of Idle Land and Constructions Erected Thereon by Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.;

11. Certificate of Tax Completion of the People's Republic of China;

12. Maximum mortgage contract;

13. Business License of Real Estate Appraisal Agency (copy);

14. Filing Certificate of Real Estate Appraisal Agency (copy);

15. Registration Certificate of Real Estate Appraiser in China (copy).

UNAUDITED PROFIT OR LOSS STATEMENTS ON THE IDENTIFIABLE NET INCOME STREAM OF THE REVENUE-GENERATING PROPERTIES

In accordance with Rule 14.68(2)(b)(i) of the Listing Rules, the unaudited profit or loss statements on the identifiable net income stream of the revenue-generating properties for each of the years ended 31 December 2023, 2024 and 2025 (the "**Unaudited Profit or Loss Statements**") are set out below.

	For the year ended 31 December		
	2023	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	504,586	588,205	707,438
Cost of sales	(385,942)	(462,511)	(564,388)
Gross profit	118,644	125,694	143,050
Interest income	183	221	168
Other income	9,172	10,932	7,243
Other gains	(553)	(186)	(1,350)
Selling and distribution costs	(23,841)	(16,113)	(23,136)
Administrative and other expenses	(70,378)	(57,133)	(60,541)
Finance costs	(16,911)	(15,794)	(10,474)
Profit before tax	16,316	47,621	54,960
Income tax	(1,985)	(7,143)	(800)
Profit for the year	14,331	40,478	54,160

Pursuant to Rule 14.68(2)(b)(i) of the Listing Rules, the Company has engaged SHINEWING (HK) CPA Limited, the reporting accountants, to perform certain agreed upon procedures and report their factual finding in respect of the Unaudited Profit or Loss Statements in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The reporting accountants have performed procedures in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and the reporting accountants and reported their factual findings as follows:

- obtained the profit or loss statement of the revenue-generating properties for each of the years ended 31 December 2023, 2024 and 2025 respectively (the "**Relevant Periods**") (the "**Schedules**") prepared by the management of the Company;

- compared the Schedules to the relevant underlying books and records provided by the management of the Company for the Relevant Periods and found them to be in agreement; and

- reported the amounts in the Schedules to be arithmetically accurate.

Based on the above, the Directors are of the opinion that the Unaudited Profit or Loss Statement have properly compiled and derived from the underlying books and records. The findings on the agreed-upon procedures were reported solely for the information of the Directors of the Company in order to comply with the requirements under Rule 14.68(2)(b)(i) of the Listing Rules and should not be used or relied upon by any other parties for any other purposes.

The work performed by the reporting accountants did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance conclusion has been expressed by the reporting accountants on the Unaudited Profit and Loss Statements. Had the reporting accountants performed additional procedures other matters might have come to their attention that would have been reported to the Directors.

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

1. Introduction

The following is the unaudited pro forma financial information of CHTC Fong's International Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), comprising the unaudited pro forma consolidated net assets statement as at 31 December 2025 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 and related notes (collectively, the "**Unaudited Pro Forma Financial Information**").

The Unaudited Pro Forma Financial Information is prepared by directors of the Company in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), for the purpose of illustrating the effect of the proposed very substantial disposal in relation to the Cuicheng Road Land Resumption (the "**Disposal**").

The Unaudited Pro Forma Financial Information of the Group is prepared based upon (i) the audited consolidated statement of profit or loss and other comprehensive income of the Group for year ended 31 December 2025, which has been derived from the Company's published annual report as at 31 December 2025 after taking unaudited pro forma adjustments related to the Disposal as if the Disposal had been completed on 1 January 2025; and (ii) the unaudited condensed consolidated financial position of the Group for the year ended 31 December 2025, which has been derived from the Company's published annual report for the year ended 31 December 2025, after taking unaudited pro forma adjustments relating of the Disposal as if the Disposal had been completed on 31 December 2025.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information by making pro forma adjustments that are clearly shown and explained, directly attributable to the Disposal and not relating to future events or decision, factually supportable and clearly identified. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial performance and financial position of the Group had the Disposal been completed as at the specified dates or any other dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2025 and other financial information contained in this circular.

2.1 UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE GROUP

	The Group as at 31 December 2025	Pro forma adjustments		The Group as at 31 December 2025
	(Audited)			*(Unaudited)*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 2*	*Note 3*	
Non-current assets				
Property, plant and equipment	1,394,222	(73,140)	–	1,321,082
Investment properties	236,500	–	–	236,500
Right-of-use assets	10,137	–	–	10,137
Prepaid lease payments	167,390	(46,697)	–	120,693
Goodwill	464,797	–	–	464,797
Intangible assets	91,912	–	–	91,912
Financial asset at fair value through other comprehensive income	19,371	–	–	19,371
Investment in an associate	34,840	–	–	34,840
Deposits for acquisition of property, plant and equipment	24,094	–	–	24,094
Other assets	40,894	–	–	40,894
Deferred tax assets	11,546	–	–	11,546
	2,495,703	(119,837)	–	2,375,866
Current assets				
Inventories	423,349	–	–	423,349
Trade and other receivables	361,586	–	–	361,586
Cash and bank balances	199,249	336,627	(187,883)	347,993
	984,184	336,627	(187,883)	1,132,928
Current liabilities				
Trade and other payables	1,083,806	–	–	1,083,806
Contract liabilities	216,898	–	–	216,898
Warranty provision	10,359	–	–	10,359
Lease liabilities	8,674	–	–	8,674
Tax liabilities	10,522	32,518	–	43,040
Bank and other borrowings	1,004,517	–	(118,797)	885,720
	2,334,776	32,518	(118,797)	2,248,497

	The Group as at 31 December 2025	Pro forma adjustments		The Group as at 31 December 2025
	(Audited)			*(Unaudited)*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 2*	*Note 3*	
Net current liabilities	(1,350,592)	304,109	(69,086)	(1,115,569)
Total assets less current liabilities	1,145,111	184,272	(69,086)	1,260,297
Non-current liabilities				
Bank and other borrowings	96,765	–	(69,086)	27,679
Deferred revenue	44,976	–	–	44,976
Deferred tax liabilities	26,925	–	–	26,925
Lease liabilities	1,940	–	–	1,940
	170,606	–	(69,086)	101,520
Net assets	974,505	184,272	–	1,158,777

2.2 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

	The Group for the year ended 31 December 2025	**Pro forma adjustments**		**The Group for the year ended 31 December 2025**
	(Audited)			*(Unaudited)*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Notes 4 and 5*	*Note 6*	
Revenue	2,146,824	–	–	2,146,824
Cost of sales	(1,586,610)	3,475	–	(1,583,135)
Gross profit	560,214	3,475	–	563,689
Interest income	497	–	–	497
Other income	40,891	–	–	40,891
Other gains	(1,697)	212,884	–	211,187
Impairment loss on assets classified as held for sales	(10,750)	–	–	(10,750)
Distribution and selling costs	(215,972)	–	–	(215,972)
Administrative expenses	(327,534)	431	–	(327,103)
Finance costs	(49,353)	–	5,570	(43,783)
Share of results of an associate	6,379	–	–	6,379
Profit before tax	2,675	216,790	5,570	225,035
Income tax credit (expense)	1,410	(31,933)	(919)	(31,442)
Profit for the year	4,085	184,857	4,651	193,593
Profit for the year attributable to:				
Owners of the Company	4,202	184,857	4,651	193,710
Non-controlling interests	(117)	–	–	(117)
	4,085	184,857	4,651	193,593

	The Group for the year ended 31 December 2025	Pro forma adjustments		The Group for the year ended 31 December 2025
	(Audited)			*(Unaudited)*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Notes 4 and 5*	*Note 6*	
Profit for the year	4,085	184,857	4,651	193,593
Other comprehensive expense:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	(1,647)	–	–	(1,647)
Share of translation reserve of an associate	790	–	–	790
	(857)	–	–	(857)
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement gain on defined benefit plan	258	–	–	258
Fair value loss on financial asset at fair value through other comprehensive income	(2,456)	–	–	(2,456)
	(2,198)	–	–	(2,198)
Other comprehensive expense for the year	(3,055)	–	–	(3,055)
Total comprehensive income for the year	1,030	184,857	4,651	190,538
Total comprehensive income for the year attributable to:				
Owners of the Company	2,921	184,857	4,651	192,429
Non-controlling interests	(1,891)	–	–	(1,891)
	1,030	184,857	4,651	190,538

Notes:

1. The audited consolidated statements of financial position, profit or loss and other comprehensive income of the Group for the year ended 31 December 2025 were extracted from the Company's published annual report for the year ended 31 December 2025.

2. The adjustment represents the financial impacts of the Disposal as if the Disposal had taken place on 31 December 2025, which is calculated as follows:

	Notes	*HKD'000*
Consideration		341,069
Less: Net carrying amount of building and prepaid lease payments	(i)	(119,837)
Transaction cost directly attributable to the Disposal		(4,442)
Gain on disposal		216,790
Less: Estimated tax effect in relation to the gain on the Disposal Calculated at the applicable tax rates	(ii)	(32,518)
Estimated after-tax gain on the Disposal		184,272

(i) The net carrying amounts of the building and prepaid lease payments were approximately HKD73,140,000 and HKD46,697,000 respectively as at 31 December 2025.

(ii) Corporate Income tax is charged based on a tax rate of 15%.

3. The adjustment represents the repayment of bank borrowings upon the completion of the Disposal. The Cuicheng Road Land had been pledged as a security for the Group's borrowings amounting to HKD187,883,000 (the "**Borrowings**") as at 31 December 2025. The Borrowings are required to be fully settled in order for the Disposal to be completed.

4. The adjustment represents the financial impacts of the Disposal as if the Disposal had taken place on 1 January 2025, which is calculated as follows:

	Notes	*HKD'000*
Consideration		341,069
Less: Net carrying amount of building and prepaid lease payments	(i)	(123,743)
Transaction cost directly attributable to the Disposal		(4,442)
Gain on disposal		212,884
Less: Estimated tax effect in relation to the gain on the Disposal Calculated at the applicable tax rates	(ii)	(31,933)
Estimated after-tax gain on the Disposal		180,951

(i) The net carrying amounts of the building and prepaid lease payments were approximately HKD75,724,000 and HKD48,019,000 respectively as at 1 January 2025.

(ii) Corporate Income tax is charged based on a tax rate of 15%.

5. Balances represent depreciation and amortization charged to cost of sales and administrative expenses for the year ended 31 December 2025 in respect of the building and prepaid lease payments of HKD3,475,000 and HKD431,000 respectively.

6. As a prerequisite condition of completion of the Disposal, the Borrowings are required to fully settled. Balance represents the interest charged on the Borrowings and the related tax impact for the year ended 31 December 2025.

7. The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group above are not expected to have a continuing effect on the Group.

8. For the purposes of preparing this Unaudited Pro Forma Financial Information, the amount denominated in Renminbi has been converted into Hong Kong dollars at an exchange rate of RMB0.90322 to HKD 1.00 at the exchange rate published by the State Administration of Foreign Exchange ("**SAFE**") on 31 December 2025. No representation is made that the HKD amounts have been, could have been or may be converted to RMB, at that rate or at all.

9. Apart from notes above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2025 for the preparation of the unaudited pro forma consolidated net assets statement of the Group as at 31 December 2025 and 1 January 2025 for the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2025.

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of this circular.

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

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

The Board of Directors
CHTC Fong's International Company Limited
Units 2201 & 2203
Orient International Tower
1018 Tai Nan West Street, Cheung Shan Wan
Kowloon, Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CHTC Fong's International Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the board of directors (the "**Board**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net assets statement as at 31 December 2025 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 and related notes as set out on pages IV-1 to IV-7 of the circular issued by the Company dated 30 April 2026 (the "**Circular**") in connection with the proposed very substantial disposal in relation to the Cuicheng Road Land Resumption (the "**Disposal**"). The applicable criteria on the basis of which the directors of the Company 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 Board to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2025 and the Group's financial performance for the year ended 31 December 2025 as if the Disposal had taken place as at 31 December 2025 and 1 January 2025 respectively. As part of this process, information about the Group's financial position and financial performance for the year ended 31 December 2025 has been extracted by the Board from the consolidated financial statements of the Group for the year ended 31 December 2025, on which an audit report has been published.

Directors' Responsibility for the Unaudited pro forma Financial Information

The Board of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement 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.

The 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, 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 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2025 or 1 January 2025 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
30 April 2026

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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 and its associated corporations (within the meaning of Part XV of the SFO), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code:

Long position in shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fong Kwok Leung, Kevin	Beneficial owner	3,100,000	0.28%
	Held by spouse	200,000	0.02%
	Beneficiary of a discretionary trust *(Note)*	194,904,220	17.72%
		198,204,220	18.02%

Note: Mr. Fong Kwok Leung, Kevin is a beneficiary of a discretionary trust which owns the entire issued share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 194,904,220 Shares. By virtue of the SFO, Mr. Fong Kwok Leung, Kevin is deemed to be interested in 194,904,220 Shares which the discretionary trust owns.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Interest of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than a Director, or chief executive of the Company) had or were deemed to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Long position in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China National Machinery Industry Corporation	Corporate interests *(Note 1)*	615,408,140	55.94%
Mr. Fong Sou Lam	Founder of a discretionary trust *(Note 2)*	194,904,220	17.72%

Notes:

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

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

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

2. Mr. Fong Sou Lam is the founder of a discretionary trust which owns the entire issued share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 194,904,220 Shares. By virtue of the SFO, Mr. Fong Sou Lam is deemed to be interested in 194,904,220 Shares which the discretionary trust owns.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

5. INTEREST OF DIRECTORS OR EXPERTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, (a) none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group, (b) save as disclosed in this circular, none of the Directors or expert named in the section headed "7. Expert and Consent" in this appendix had any interest, directly or indirectly, in any assets which have been, since 31 December 2025 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACTS

No material contract (not being contract entered into the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the date of this circular and are or may be material.

7. EXPERTS AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinions or advices contained in this circular (the "**Experts**"):

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
Shenzhen GoFiner Real Estate Appraisal & Consultation Co., Ltd (Zhongshan Branch) (深圳市國房土地房地產資產評估諮詢有限公司中山分公司)	Independent Professional Valuer, a member of the China Institute of Real Estate Appraisers and Agents ("**CIREA**") with the certificate number of Guangdong Real Estate Appraisal No. 1 0200008 (粵房估備字壹0200008)*(Note)*

Note: The valuation report was signed by two qualified valuers, Ms Peng Xiaoli and Mr Su Donghui, each holding a registration certificate as a certified real estate appraiser (房地產估價師) issued by the Department of Housing and Urban Rural Construction Commission of Guangzhou (廣東省住房和城鄉建設廳), and both are members of the China Real Estate Valuers and Agents Association (中國土地估價師與土地登記代理人協會). Each has over 20 years' experience in valuing real estate and land in Zhongshan City, Guangdong Province, where the subject lands are situated.

According to publicly available information, CIREA and The Hong Kong Institute of Surveyors ("**HKIS**") have signed a reciprocity agreement for the recognition of qualifications of Mainland real estate appraisers and Hong Kong surveyors. Under that agreement, individual members of each institute who meet specified eligibility criteria and are nominated by their institute may apply for membership of the other institute through an examination organised by the other institute. Hence, CIREA is a professional body of similar standing to HKIS.

As at the Latest Practicable Date, the Experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to their name in the form and context in which they appear.

The Experts have confirmed that as at the Latest Practicable Date, they did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor did they have any direct or indirect interest in any assets which have since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been or proposed to be acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration, or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. GENERAL

(a) The registered office of the Company is situated at 5th Floor, Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda.

(b) The principal place of business in Hong Kong of the Company is situated at Units 2201 & 2203, Orient International Tower 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

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

(d) The company secretary of the Company is Ms. Wong Bing Ni, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom.

(e) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.fongs.com) between the period of not less than 14 days from the date of this circular up to and including the date of the SGM:

(a) the letter of consent referred to under paragraph headed "Experts and Consent" in this appendix;

(b) the valuation report of the Resumed Land, the English translation of which is set out in Appendix II to this circular; and

(c) the assurance report from Reporting Accountants on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV to this circular.

CHTC FONG'S INTERNATIONAL COMPANY LIMITED
中 國 恒 天 立 信 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of CHTC Fong's International Company Limited (the "**Company**") will be held at Unit 2204, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong on Thursday, 28 May 2026 at 10:30 a.m. (or so soon thereafter as the annual general meeting convened for the same date and place at 10:00 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 30 April 2026 (the "**Circular**").

ORDINARY RESOLUTION

1. "**THAT**

   a. the Cuicheng Road Land Resumption Agreement (a copy of the draft which is produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of the identification) and intends to be entered into between MF Zhongshan, Zhongshan LRC and Zhongshan Cuiheng NDMC in relation to, among other things, Cuicheng Road Land Resumption be and is hereby approved and confirmed; and

   b. the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connecting with implementing, completing and giving effect to the Cuicheng Road Land Resumption Agreement and the transactions contemplated thereunder and to agree to such variations of terms of the Cuicheng Road Land Resumption Agreement as they may in their absolute discretion consider necessary or desirable and all such acts and things the Directors have done, all such documents the Directors have executed, and all such steps the Directors have taken are hereby approved, confirmed and ratified."

By order of the Board
CHTC Fong's International Company Limited
Wong Bing Ni
Company Secretary

Hong Kong, 30 April 2026

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

Principal place of business:
Units 2201 & 2203
Orient International Tower
1018 Tai Nan West Street
Cheung Sha Wan, Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy or proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, you are requested to complete and return the accompanying form of proxy to the Company's principal place of business in Hong Kong at Units 2201 & 2203 Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

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

4. The register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026 (both days inclusive), during which period no transfer of shares will be effected in order to determining the entitlement of the shareholders of the Company to attend and vote at the Meeting. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 21 May 2026.

5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning signal or "extreme conditions after super typhoons" is/are in force at any time after 8:30 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at http://www.fongs.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.