
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Fountain Set (Holdings) Limited**, 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 transferee.

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福田實業(集團)有限公司
Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability) (Stock Code: 420)

**(1) MAJOR TRANSACTION IN RELATION TO
PROPOSED ACQUISITION OF 81% EQUITY INTEREST
IN A VIETNAMESE COMPANY;
AND
(2) MAJOR TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS
IN RELATION TO 2029 FINANCIAL SERVICES AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A letter from the Board is set out on pages 7 to 43 of this circular. A letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 64 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 44 to 45 of this circular.

The notice of EGM to be held at Block A, 6th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Thursday, 29 October 2026 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. If you are unable to attend the meeting but wish to exercise your right as a Shareholder, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours (excluding any public holiday in Hong Kong) before the time appointed for holding the EGM or the adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or the adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked. **Food, beverages and/or souvenir will not be offered at the EGM.**

5 October 2026

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This circular is prepared in both English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail.

DEFINITIONS

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

“2028 Financial Services Agreement”	the financial services agreement dated 22 April 2025 entered into between the Company and COFCO Finance in relation to the Deposit Services, the Loan Services and the Other Financial Services;
“2029 Financial Services Agreement”	the financial services agreement dated 10 August 2026 entered into between the Company and COFCO Finance in relation to the Deposit Services, the Loan Services and the Other Financial Services;
“Acquisition”	the acquisition of 81% capital contribution interest in the Target Company by the Purchaser from the Vendor on the terms and conditions set out in the Equity Transfer Agreement;
“Asset Divestment Agreement”	the agreement entered into by the Purchaser, the Vendor, and the Target Company on the determination of the scope of assets and liabilities and the obligations arising from the divestment of assets dated 27 July 2026 in relation to, among other things, the Vendor’s undertaking to fulfil the obligation to divest the assets and liabilities under the agreement before 31 July 2026;
“associates”	has the same meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“COFCO”	中糧集團有限公司 (COFCO Corporation), a state wholly-owned company established in the PRC which is currently under the purview of SASAC, and a controlling Shareholder;
“COFCO Finance”	中糧財務有限責任公司 (COFCO Finance Company Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of COFCO;
“COFCO Group”	COFCO and its subsidiaries;

DEFINITIONS

“Company”	Fountain Set (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 420);
“Completion”	the completion of the Acquisition;
“Conditions”	the conditions precedent to Completion under the Equity Transfer Agreement as set out in the paragraph headed “Letter from the Board – The Acquisition – Conditions” in this circular;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Consideration”	the total consideration for the acquisition of 81% capital contribution interest in the Target Company pursuant to the Equity Transfer Agreement;
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Deposit Annual Caps”	RMB500 million or its equivalent on any day throughout the term of the 2029 Financial Services Agreement, being the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance pursuant to the 2029 Financial Services Agreement;
“Deposit Services”	the deposit and related services to be provided by COFCO Finance to the Group under the 2029 Financial Services Agreement;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“Divested Assets and Liabilities”	as of the Reference Date, (1) the assets recorded in the Target Company’s accounts and actually in existence, which the Vendor is responsible for divesting, including but not limited to: cash and cash equivalents, accounts receivable, inventories (yarn, greige fabric, finished goods, etc.), prepayments, other receivables and all other current assets; and (2) all liabilities, obligations, responsibilities and financial burdens incurred by the Target Company or reasons that arose prior to the Reference Date, including but not limited to bank loans, shareholder loans, connected party loans, accounts payable, advance payments, taxes payable, employee remuneration and social security contributions, work-related injury and compensation liabilities, guarantees, mortgages/pledges, contingent liabilities, administrative penalties, litigation and arbitration, environmental, fire and safety compliance liabilities, unrecognised liabilities, off-balance-sheet liabilities, and any other liabilities for which the Target Company is or may become liable or subject to recourse;
“EGM”	the extraordinary general meeting of the Company to be held at Block A, 6th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Thursday, 29 October 2026 at 10:30 a.m. and at any adjournment to consider and, if appropriate, to approve the resolutions contained in the notice of EGM which is set out on pages EGM-1 to EGM-3 of this circular;
“Enlarged Group”	the Group as enlarged by the Target Company upon Completion;
“Equity Transfer Agreement”	the equity transfer agreement dated 9 September 2026 entered into by the Purchaser, the Vendor, and the Target Company in relation to, among other things, the Acquisition;
“Fountain Set”	Fountain Set Limited, a wholly-owned subsidiary of the Company;
“Group”	collectively, the Company and its subsidiaries;

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“Guarantor”	Mr. KAO, Wen-cheng (高文政), the guarantor of the Acquisition, who provided a personal guarantee in favour of the Purchaser under the Equity Transfer Agreement in respect of the Vendor’s and the Target Company’s payment, refund, indemnity and other monetary obligations thereunder;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders on the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps);
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a licensed corporation to carry out regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps);
“Independent Shareholders”	the Shareholders other than COFCO and its associates and other Shareholders who have a material interest in the 2029 Financial Services Agreement;
“independent third party(ies)”	third party(ies) independent of and not connected with the Company and its connected person(s);
“Latest Practicable Date”	25 September 2026, being the latest practicable date for ascertaining certain information contained in this circular;
“Lease Agreement”	the equipment and facilities lease agreement dated 30 April 2026 entered into by Fountain Set, and the Target Company, pursuant to which Fountain Set leased from the Target Company certain equipment and facilities required for production and business operations;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Services”	the comprehensive loan and related services to be provided by COFCO Finance to the Group under the 2029 Financial Services Agreement;
“Minority Shareholder”	a shareholder holding 19% of the equity interest in the Target Company following the Completion, who is an independent third party designated by the Vendor and approved in writing by the Purchaser;
“NFRA”	National Financial Regulatory Administration;
“Other Financial Services”	apart from the Deposit Services and the Loan Services, other financial services as detailed in this circular to be provided by COFCO Finance to the Group under the 2029 Financial Services Agreement;
“PBC”	People’s Bank of China;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan;
“Purchaser”	Ocean Textile Investment Pte. Limited, a company incorporated in Singapore with limited liability, an indirectly wholly-owned subsidiary of the Company and the purchaser of the Acquisition;
“Reference Date”	30 April 2026;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council of the PRC);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary shares in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Target Company”	Công Ty TNHH Lian-Ta-Hsing (Việt Nam) (the Chinese and English names being 連大興(越南)有限公司 and Lian-Ta-Hsing Company Limited (Vietnam) respectively), a company incorporated in Vietnam with limited liability;
“Transaction Agreements”	the Equity Transfer Agreement and the Asset Divestment Agreement;
“US\$”	the United States dollars, the lawful currency of the U.S.;
“Valuation Report”	the asset appraisal report prepared by the Valuer concerning all equity interests of the Target Company;
“Valuer”	an independent third-party asset appraisal institution, namely China Enterprise Appraisals Co., Ltd.;
“Vendor”	Lian-Ta-Hsing International Co., Ltd, a company incorporated in Seychelles with limited liability and is the vendor of the Acquisition;
“Vietnam”	the Socialist Republic of Vietnam; and
“%”	per cent.

In this circular, for illustration purposes only and unless otherwise stated, all amounts denominated in US\$ have been translated into HK\$ using the exchange rate of US\$1.00: HK\$7.84, and all amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1: HK\$1.17.

LETTER FROM THE BOARD



福田實業(集團)有限公司
Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability) (Stock Code: 420)

Executive Directors:

Mr. XI Qiang (*Chairman*)
Dr. LI Gang (*Chief Executive Officer*)
Mr. YAU Hang Tat Andrew
Mr. YIN Jian
Mr. ZHANG Zheng

Registered office:

Block A, 6th Floor
Eastern Sea Industrial Building
29-39 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

Non-executive Directors:

Dr. YEN Gordon (*Non-executive Vice Chairman*)
Ms. ZHOU Jing

Independent non-executive Directors:

Mr. NG Kwok Tung
Mr. YING Wei
Mr. WONG Kwong Chi
Dr. LIN Lin

5 October 2026

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO
PROPOSED ACQUISITION OF 81% EQUITY INTEREST
IN A VIETNAMESE COMPANY;
AND
(2) MAJOR TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS
IN RELATION TO 2029 FINANCIAL SERVICES AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to (i) the announcement of the Company dated 9 September 2026 in relation to the Acquisition; and (ii) the announcement of the Company dated 10 August 2026 in relation to the 2029 Financial Services Agreement.

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The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) further details of the 2029 Financial Services Agreement and the Deposit Annual Caps; (iii) other information as required under the Listing Rules; and (iv) the notice of EGM.

2. MAJOR TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF 81% EQUITY INTEREST IN A VIETNAMESE COMPANY

THE ACQUISITION

On 9 September 2026 (after trading hours), the Purchaser (an indirectly wholly-owned subsidiary of the Company), as transferee, the Vendor and the Target Company entered into an Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to buy 81% of the capital contribution interest in the Target Company for a cash consideration of US\$27,945,000 (equivalent to approximately HK\$219,089,000). The remaining 19% capital contribution interest will be held by the Minority Shareholder. The Company currently has no intention to acquire the remaining 19% capital contribution interest.

The principal terms of the Equity Transfer Agreement are set out as follows:

Date: 9 September 2026

Parties: (i) Ocean Textile Investment Pte. Limited (the Purchaser)
(ii) Lian-Ta-Hsing International Co., Ltd. (the Vendor)
(iii) Target Company
(iv) Mr. Kao, Wen-cheng (the Guarantor)

SUBJECT MATTER OF THE ACQUISITION

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to buy 81% of the capital contribution interest in the Target Company.

The Target Company mainly owns long-term operating assets such as land use rights, plants and equipment. These assets also form the core valuation basis of the Acquisition. According to the Transaction Agreements (including the Equity Transfer Agreement and the Asset Divestment Agreement), the current assets (inventories, trade and bill receivables, prepayments, deposits and other receivables and bank balances and cash) in the amount of approximately HK\$58.3 million and liabilities (trade and bill payables, other payables and accruals, contract liabilities, loans from immediate holding company, amount due to a related company and bank borrowings) in the amount of approximately HK\$62.5 million of the Target Company as of the Reference Date (namely the Divested Assets and Liabilities)

LETTER FROM THE BOARD

must be divested, repaid, or transferred by the Vendor through its own arrangements before 31 July 2026 (or a grace period approved in writing by the Purchaser). As at the date of the Valuation Report, the aforesaid divestment of assets and liabilities has been completed.

In addition, Mr. Kao, Wen-cheng, being the director of the Vendor and/or the legal representative of the Target Company, has provided a personal guarantee in favour of the Purchaser under the Equity Transfer Agreement. The personal guarantee provided by Mr. Kao is a continuing and full recourse guarantee in favour of the Purchaser in respect of all monetary obligations of the Vendor and, to the extent applicable, the Target Company under the Transaction Agreements, including without limitation any payment obligations, refund obligations, indemnities and compensation for losses arising from breach of representations and warranties, undisclosed liabilities, tax reassessments, historical liabilities, and other contractual obligations. The guarantee shall remain valid for a period of ten (10) years from the date of Completion.

CONSIDERATION

The Consideration for the Acquisition is US\$27,945,000 (equivalent to approximately HK\$219,089,000).

The Consideration shall be payable by the Purchaser to the Vendor in cash in three instalments in accordance with the Equity Transfer Agreement, as follows:

(1) Deposit

The first instalment, being 20% of the Consideration in the amount of US\$5,589,000 (equivalent to approximately HK\$43,818,000) (the “**First Instalment**”), shall be payable upon the Equity Transfer Agreement becoming effective and the Vendor and the Minority Shareholder having completed the necessary internal approvals and authorisations for the transaction. As at the Latest Practicable Date, the First Instalment has not been paid.

Pursuant to applicable Vietnamese tax laws, the Vendor shall be responsible for capital transfer income tax arising from the transfer of equity interests at the rate of 2% of the total Consideration. Based on the Consideration of US\$27,945,000, the estimated capital transfer income tax amounts to US\$558,900. The Purchaser shall be entitled to withhold such estimated tax amount of US\$558,900 from the First Instalment and apply such amount towards payment of the capital transfer income tax in accordance with applicable laws. The amount so withheld and applied shall be deemed to have been paid by the Purchaser to the Vendor as part of the Consideration. The net amount payable to the Vendor upon payment of the First Instalment (after withholding of the estimated capital transfer income tax) is US\$5,030,100.

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If the Equity Transfer Agreement is terminated due to failure of the conditions precedent or failure to complete the registration procedures (other than due to the Purchaser's default), the Vendor shall refund the First Instalment to the Purchaser within five (5) working days from the date of termination. If such termination is attributable to the Vendor or the Target Company, the Vendor shall indemnify the Purchaser for losses suffered.

(2) Completion payment

The second instalment, being 60% of the Consideration in the amount of US\$16,767,000 (equivalent to approximately HK\$131,453,000) (the “**Completion Payment**”), shall be payable upon Completion, subject to fulfilment of the following conditions, or lawful written waiver thereof by the Purchaser, including:

- (i) completion of the change of members and enterprise type of the Target Company and registration of the Purchaser as holder of 81% equity interests and the Minority Shareholder as holder of 19% equity interests;
- (ii) completion of updates to the enterprise registration certificate, members register, articles of association and other corporate registration documents;
- (iii) the Purchaser having obtained management control of the Target Company in accordance with the transaction documents;
- (iv) completion of all other conditions precedent and execution of completion documents; and
- (v) the Vietnam capital transfer income tax and other taxes legally borne by the Vendor in connection with the equity transfer having been duly declared and paid in accordance with the Equity Transfer Agreement, and the Vendor and the Target Company having provided to the Purchaser the tax declaration forms accepted by the competent tax authority, tax payment receipts and other required tax compliance documents; provided that, where required under applicable Vietnamese laws or by the competent tax authority or banks, the Purchaser shall be entitled to retain the relevant tax amount from the Completion Payment and arrange payment thereof on behalf of the Vendor, and such retained amount shall be deemed paid as part of the Consideration.

If any of the above conditions is not fulfilled, the Purchaser shall have the right to suspend payment of the Completion Payment, and such suspension shall not constitute a breach.

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As at the Latest Practicable Date, none of the above conditions to the Completion Payment has been fulfilled.

(3) Retention amount

The third instalment, being 20% of the Consideration in the amount of US\$5,589,000 (equivalent to approximately HK\$43,818,000) (the “**Retention Amount**”), shall be temporarily withheld by the Purchaser as security for (i) the Target Company’s repayment of the prepaid rent actually paid by Fountain Set (up to US\$5,000,000) under the Lease Agreement, which is refundable (the “**Prepaid Rent**”) and due to Fountain Set, (ii) any historical liabilities formed prior to Completion, (iii) outstanding divestment matters, and (iv) the indemnification obligations of the Vendor under the Equity Transfer Agreement.

The Prepaid Rent is interest-free, unsecured and without any guarantee. Pursuant to the Lease Agreement, the Prepaid Rent shall be paid into a tripartite escrow account for the sole and specific purpose of the lease. Without the consent of Fountain Set, the Target Company is not entitled to transfer any funds out of or make any disposition of such account. Upon Completion, the Target Company shall refund the Prepaid Rent to Fountain Set.

The Retention Amount shall be released (after deduction of any amounts payable in accordance with the Equity Transfer Agreement) upon fulfilment of the following conditions:

- (i) six (6) months having elapsed from the date of Completion;
- (ii) the Purchaser and the Minority Shareholder have provided shareholder loans to the Target Company in proportion to their respective shareholdings in the Target Company (up to US\$4,050,000 and US\$950,000, respectively) to repay the Prepaid Rent in full;
- (iii) the Target Company having fully repaid the Prepaid Rent and Fountain Set having confirmed receipt of such payment;
- (iv) Fountain Set having issued a debt settlement and release confirmation acceptable to the Purchaser confirming that all obligations (including principal, interest, penalties and damages, if any) in relation to the Prepaid Rent have been fully discharged and that no further claims shall be made against the Target Company or the Purchaser; and

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- (v) no unresolved historical liabilities, undisclosed tax liabilities, labour claims, administrative penalties, outstanding disputes, or other material contingent liabilities having been identified during the six-month period following Completion.

If any of the above conditions is not satisfied, the Purchaser shall be entitled to withhold payment of all or part of the Retention Amount without constituting a breach of the Equity Transfer Agreement.

The Consideration will be financed through the internal resources of the Group.

TERMINATION OF LEASE AGREEMENT

Prior to the entering into of the Equity Transfer Agreement, Fountain Set has entered into the Lease Agreement with the Target Company, which was then an independent third party, in respect of certain equipment and facilities leased from the Target Company to the Company. Upon execution of the Lease Agreement, all applicable percentage ratios are less than 5%. Therefore, the execution of the Lease Agreement at the material time did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Pursuant to the Equity Transfer Agreement, the Lease Agreement shall be terminated with effect from Completion. The Target Company shall refund the Prepaid Rent to Fountain Set. After Completion, the Purchaser and the Minority Shareholder will provide shareholder loans to the Target Company in proportion to their respective shareholdings in the Target Company to finance such refund, and the Target Company shall, upon receipt of such shareholder loans, repay the Prepaid Rent in full to Fountain Set.

The Directors consider that such refund is separate from and independent of the Consideration because it represents a refund of the Prepaid Rent actually paid under the Lease Agreement and not part of the purchase price for the 81% equity interest in the Target Company. The release of the Retention Amount is conditional upon, among other things, the repayment of the Prepaid Rent owed to Fountain Set in accordance with the Equity Transfer Agreement.

BASIS FOR THE DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, by reference to the market value assessment of 100% of all equity interests of the Target Company conducted by the Valuer, using the asset-based approach in respect of the core operating assets of the Target Company as of 30 April 2026 (including long-term operating assets such as land use rights, plants, and machinery and equipment, excluding Divested Assets and Liabilities), which has been filed with the competent state-owned assets supervision authority. According to the Valuation Report, as at 30 April 2026, the appraisal value of 100% of all equity interests of the Target Company amounted to

LETTER FROM THE BOARD

RMB240,653,200 (equivalent to approximately HK\$281,564,000), which served as the primary basis for the Consideration of US\$27,945,000 or HK\$219,089,000 for the proposed 81% equity transaction between the parties.

In determining the Consideration, the current assets of the Target Company as of the Reference Date (including cash, inventories, accounts receivable, etc.) and liabilities (including bank loans, shareholder loans, accounts payable, taxes payable, employee remuneration, guarantees, etc.) (namely the Divested Assets and Liabilities) shall be fully cleared, divested, or made good by the Vendor on or before 31 July 2026 (or a grace period approved in writing by the Purchaser) in accordance with the terms of the Transaction Agreements. Otherwise, the Vendor shall make good the shortfall in cash or bear full economic liability for it. Such items are excluded from the scope of the aforesaid appraisal and the transaction consideration.

The Purchaser and the Vendor agree that the Consideration shall be a fixed sum. Any variances in the final profit or loss, recovery amounts, or liability amounts in respect of the Divested Assets and Liabilities prior to Completion shall have no impact on the amount of the Consideration, and no working capital or liability adjustments shall be made whatsoever.

Appraisal Methodology

The Valuer has considered the asset-based approach, income approach and market approach, and ultimately adopted the asset-based approach to arrive at the appraisal conclusion.

The asset-based approach is based on the balance sheet of the Target Company as at the Reference Date. Values of on-balance sheet assets and liabilities as well as identifiable off-balance sheet assets and liabilities are assessed separately to determine the market value of all equity interests of the Target Company.

Given that the Target Company maintains relatively complete financial and asset management information, and relevant data on asset replacement costs and market information are available, the Valuer considers the asset-based approach applicable to this appraisal.

The Valuer has not adopted:

- (1) the income approach, as the Target Company has sustained losses during its historical operating periods and its future profitability cannot be reasonably forecast; and

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- (2) the market approach, as there are relatively few listed companies and transaction cases available in the public market that are sufficiently comparable to the Target Company in respect of business focus, asset scale and operating scale, and sufficient reliable market data cannot be obtained.

Main Appraisal Methods and Parameters

Pursuant to the Valuation Report:

- (1) Buildings and structures are principally appraised by the cost approach. Their appraised values are determined by multiplying the replacement cost by the comprehensive depreciation rate. The replacement cost mainly comprises preliminary expenses, building and installation engineering costs and capital costs. The comprehensive depreciation rate is determined with reference to the economic useful life, the years already in service, the remaining useful life of the relevant assets, as well as their actual condition identified from site inspection;
- (2) Machinery and equipment are principally appraised under the cost approach. Their replacement costs mainly consist of equipment purchase prices, transportation and handling charges, installation costs and capital costs. The comprehensive depreciation rate is determined based on the economic useful life, years already in service, remaining useful life and actual operating condition of the equipment;
- (3) Right-of-use assets of the Target Company comprise land infrastructure usage fees and annual net land rents. Among them, the land infrastructure usage fees are appraised under the market approach, whilst the annual net land rents are appraised under the income approach;
- (4) Long-term deferred costs are primarily assessed in conjunction with the relevant buildings and structures, site landscaping and equipment, whilst other costs, such as certification service fees, are determined on the basis of their verified carrying amounts; The appraised values of the deferred income tax assets has been determined to be nil as there are no reversible items when revenue is recognised on the relevant assets in the future; and
- (5) Liabilities' appraised values are determined based on verified carrying amounts.

Principal Appraisal Assumptions

The principal assumptions adopted in the Valuation Report include:

LETTER FROM THE BOARD

- (1) The subject property of appraisal is transacted in a normal and voluntary open market, with both parties to the transaction acting rationally and free from any duress;
- (2) No material changes will occur in the political, economic and social environments of relevant countries and regions, as well as macroeconomic policies, industrial policies and regional development policies after the Reference Date;
- (3) No material changes will occur in interest rates, exchange rates, tax bases, tax rates and policy-based charges after the Reference Date;
- (4) No material adverse impact will arise from force majeure or unforeseeable events after the Reference Date;
- (5) The assets within the appraisal scope will continue to be used at their current locations for their existing purposes;
- (6) The appraisal does not take into account any impact on the appraisal conclusion that may be caused by mortgages, guarantees or special transaction arrangements already created as at the Reference Date;
- (7) The Target Company's land use rights and factory buildings and structures are subject to a security in respect of a bank loan of US\$5 million. As at the date of the Valuation Report, the bank loan has been repaid and the deregistration of the security over the land use rights and factory buildings and structures have been completed. As such, the Valuer is of the view that the above matter does not affect the reasonableness of the valuation conclusion; and
- (8) The inherent quality of the subject property of appraisal complies with the applicable relevant standards and is sufficient to sustain normal operation.

Appraisal Results and Appreciation Arising from Appraisal

As set out in the section headed "Basis for the Determination of the Consideration" above in this letter, the appraisal was conducted based on the simulated balance sheet prepared to reflect the agreed divestment arrangements. The appraisal scope principally comprises the Target Company's long-term core operating assets, including fixed assets and right-of-use assets, as well as long-term deferred costs, deferred tax assets and the relevant liabilities retained in the simulated balance sheet. The current assets and liabilities to be divested were not included in the appraisal scope.

LETTER FROM THE BOARD

As at the Reference Date, the carrying amount and appraised value of the total assets of the Target Company were approximately RMB110,298,500 and RMB241,362,400, respectively, representing an appreciation of approximately RMB131,063,900, or approximately 118.83%. The carrying amount and appraised value of the total liabilities were both approximately RMB709,100, with no appreciation or depreciation. Accordingly, the carrying amount and appraised value of the entire equity interest in the Target Company were approximately RMB109,589,400 and RMB240,653,200, respectively. The appreciation arising from the appraisal amounted to approximately RMB131,063,800, representing an appreciation rate of approximately 119.60%.

The principal reasons for the aforesaid appraisal premium are set out below:

1. Differences in appraisal methodology and calculation basis: The appraisal adopts the asset-based approach. Based on prevailing market conditions as at the Reference Date, the core operating assets of the Target Company, including land, plants, and major machinery and equipment, have been revalued to reflect their market replacement costs or market values. Such appraisal methodology differs significantly from net book assets, which are calculated based on historical cost minus depreciation.
2. Disparity between historical depreciation and market value of assets: Certain parcels of land and plants owned by the Target Company were acquired in the early years with substantial accumulated depreciation. Their market values and replacement costs have appreciated remarkably in recent years, in particular the prices of industrial land and large-scale equipment procurement, resulting in a significant gap between carrying amounts and appraisal values.

Further details of the valuation methodology, major assumptions, principal parameters and appraisal results, including the valuation of buildings and structures, machinery and equipment and right-of-use assets, are set out in Appendix V to this circular.

Views of the Board

The Valuer's Professional Competence, Independence and Relevant Experience

In assessing the professional competence and qualifications of the Valuer, the Directors have reviewed, among other things, the professional qualification records of the Valuer, the qualifications and experience of the project team members, and the Valuer's relevant experience in conducting valuations for state-owned enterprises, listed companies and cross-border M&A transactions.

LETTER FROM THE BOARD

The Valuer was established in 1996 and is an asset appraisal institution registered in the PRC. It obtained the qualification for securities-related valuation business in 1997 and, following the implementation of the filing system for securities service businesses, became one of the first asset appraisal institutions to complete the filing for securities service businesses. In the three years immediately preceding the date of the Valuation Report, the Valuer has completed 130 overseas or cross-border valuation projects, including 20 valuation projects involving assets in the Southeast Asia.

The valuation project team comprises 4 members, including Wang Hongyu and Yang Yuchuan, the asset appraisers who signed the Valuation Report. Both of them hold the relevant professional qualifications of Chinese Certified Asset Appraisers. Wang Hongyu has approximately 10 years of experience in asset appraisal, including experience in valuing industrial properties, land use rights, textile production equipment and/or overseas enterprises. Having considered the above factors, the Directors are satisfied that the Valuer and its project team possess the appropriate professional qualifications, resources and relevant experience necessary to conduct the valuation.

In assessing the independence of the Valuer, the Directors have reviewed the written independence confirmation issued by the Valuer and made enquiries to the Valuer regarding its relationships with the Company, the Vendor, the Target Company, the Guarantor and their respective connected persons. The Valuer has confirmed that: (i) neither it nor the project team members have any existing or prospective interests in the Target Company or the assets subject to the valuation; (ii) it has no material financial, business or other relationships with the Company, the Vendor, the Target Company, the Guarantor or their respective connected persons that could affect its independence; (iii) neither it nor the project team members hold any interests in the securities of any member of the Group; and (iv) its professional fees are not contingent on the valuation outcome or completion. Based on the above factors, the Directors are satisfied that the Valuer is independent of the Company, the Vendor, the Target Company, the Guarantor and their respective connected persons.

Fairness and Reasonableness of the Valuation Methodology and Key Assumptions

The Directors have reviewed the scope of work of the Valuer and discussed with the asset appraisers the rationale for adopting the asset-based approach, the valuation methods applied to each major asset class, valuation data sources, key assumptions and quantitative parameters, limitations of the valuation, and the reasons for any material differences between the carrying amounts and the appraised values. The Directors have also taken into account the Target Company's audited historical financial information, the Asset Divestment Agreement, land use rights and title documents, available building and equipment information, the asset appraisers' on-site inspection results, and the legal, financial and other due diligence findings conducted by the Group.

LETTER FROM THE BOARD

The Directors consider that the adoption of the asset-based approach is appropriate and reasonable for the following reasons:

1. The Acquisition primarily involves the acquisition of the Target Company's existing production platform, including its long-term core operating assets, such as land use rights, plants, production facilities, machinery and equipment, and ancillary facilities;
2. The current assets and liabilities as of the Reference Date that are required to be divested under the divestment arrangements are not included within the valuation scope. Therefore, the valuation scope is largely aligned with the assets and liabilities to be retained by the Target Company upon completion and acquired by the Group;
3. The Target Company maintains relatively complete financial and asset management records, and there is sufficient market data or replacement cost data available for the asset appraisers to value its major operating assets, respectively;
4. The Target Company has continuously recorded losses during the Track Record Period, and was unable to obtain reliable financial projections that correspond to the post-divestment scope of assets and liabilities and are supported by sufficient basis. Therefore, the Directors concur with the Valuer's view that the key parameters required for the income approach cannot be reliably determined; and
5. There is a lack of transaction cases in the public market that are sufficiently comparable to the Target Company in terms of business nature, asset portfolio, profitability, geographical location and asset divestment arrangements. Therefore, the Directors concur that the adoption of the market approach at the company's equity level would not provide a sufficiently reliable valuation basis.

The Directors have also evaluated the primary valuation approach and quantitative parameters applicable to various core assets, with details as follows:

- The building and structure: the Valuer adopts the cost approach, with reference to the applicable engineering budget quota, engineering contract, construction drawings, and local material, labor and machinery prices in Vietnam to estimate the replacement cost, and makes adjustments based on the asset conditions and remaining useful life. The Directors consider that it is reasonable to adopt the cost approach as the relevant assets are mainly specially constructed industrial buildings and sufficient information on the replacement cost and asset condition can be obtained.

LETTER FROM THE BOARD

- Machinery and equipment: the Valuer principally adopts the cost approach, with reference to manufacturer quotations, prices of similar equipment, and related transportation, installation, and capital costs, and making adjustments based on the equipment's service life, maintenance status, and actual operating conditions. The Directors consider that such approach is reasonable.
- Land infrastructure usage fees: the Valuer adopts the market approach, with reference to three industrial land transactions, and makes adjustments based on the transaction date, remaining land use period, location, transportation, area, and other relevant factors. As two of the comparable transactions are located in the same industrial park where the Target Company is located, the Directors consider that the selection, adjustment and weighting of the comparable transactions are reasonable.
- Annual net land rents: the Valuer adopts the income approach and appraises based on the prevailing annual net land rents of 2,351 Vietnamese Dong per square meter, a remaining useful life of approximately 32.66 years, and a restoration rate of 7%. The Directors have reviewed the supporting information of such parameters and considered they were reasonable.

The Directors have also reviewed the principal assumptions contained in the Valuation Report, including that the relevant assets are transacted in a normal and voluntary open market, that there will be no significant changes in the political and economic environment after the Reference Date, and that the relevant assets will continue to be used for their original purposes at their current location. The Directors consider that the assumptions are commonly used in similar valuations and are reasonable as at the Reference Date.

Appreciation Arising from Appraisal

The appraised value of the Target Company's net assets increased from approximately RMB109.6 million to approximately RMB240.7 million, with an appreciation of approximately RMB131.1 million or 119.6%. Among them, an appreciation of approximately RMB99.1 million was generated from the right-of-use assets, primarily due to the revaluation of land infrastructure usage fees from a historical acquisition cost of approximately USD39 per square meter to USD120 per square meter. The remaining appreciation primarily reflects the increase in construction, material, labor and machinery costs, as well as the longer economic service life of certain buildings and equipment compared to the accounting depreciation period. After reviewing the valuation calculations and related supporting information, the Directors consider that such appreciation has a reasonable basis.

LETTER FROM THE BOARD

Fairness and Reasonableness of the Consideration

The appraised value of 100% equity interests in the Target Company is approximately RMB240.7 million (equivalent to approximately US\$35.1 million and HK\$281.6 million), and the pro-rated appraised value of the 81% equity interests to be acquired is approximately US\$28.4 million. The Consideration is US\$27.945 million, representing a discount of approximately US\$0.46 million or 1.6% to the pro-rated appraised value. The Divested Assets and Liabilities are excluded from the scope of the aforesaid appraisal and the transaction consideration.

In assessing the Consideration, the Directors have taken into account, among other things:

1. The Consideration is lower than the pro-rated appraised value of the equity interests to be acquired;
2. The appraised value is primarily supported by long-term core operating assets, rather than relying on future profit forecasts;
3. The Vendor is required to be responsible for completing the divestment, repayment or transfer arrangements in respect of the relevant assets and liabilities;
4. An amount of US\$5.589 million, equivalent to 20% of the Consideration, will be withheld for at least six months after completion as security for matters relating to debts, historical liabilities, incomplete divestment matters and the Vendor's indemnification obligations;
5. The Guarantor has provided a personal guarantee for a period of ten years in respect of the relevant payment, refund and indemnification obligations; and
6. The Acquisition will enable the Group to acquire 81% controlling interest in the Target Company, its existing production facilities and workforce, and bring strategic and operational benefits as described in the section headed "Reasons for and Benefits of the Acquisition".

The Directors have also taken into account the Target Company's historical losses and revenue decline. As the Consideration is primarily determined by reference to the market value of the core operating assets, rather than the Target Company's historical or projected profits, the Directors consider that such historical performance alone would not render the Consideration unreasonable.

LETTER FROM THE BOARD

Having independently reviewed the above matters, the Directors consider that the methodology, key assumptions and parameters adopted in the valuation are fair and reasonable, the valuation reasonably reflects the market value of the equity interests in the Target Company as at the Reference Date, and the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

CONDITIONS

Pursuant to the Equity Transfer Agreement, Completion of the Acquisition shall only take effect upon the full satisfaction (or the obtaining of the Purchaser's written waivers by the Vendor, save for conditions precedent which cannot be waived pursuant to applicable laws, regulatory rules, Listing Rules or their nature, for example, the condition set out in paragraph (2) below concerning the approval by resolution at the Company's general meeting) of all the following conditions precedent:

- (1) The Equity Transfer Agreement and all transaction documents have been duly executed by the authorized representatives of all parties and become effective;
- (2) The Purchaser and the Company have obtained formal resolutions/approvals from their respective boards of directors, shareholders' meetings/general meetings and other competent internal authorities in respect of the Acquisition;
- (3) The Vendor has completed all internal approvals and authorisations required for the Acquisition and, as the sole shareholder of the Target Company, has adopted valid shareholder resolutions approving (i) the transfer of 81% equity interest in the Target Company to the Purchaser, (ii) the holding of the remaining 19% equity interest by the Minority Shareholder, (iii) the conversion of the Target Company from a single-member limited liability company to a two-member limited liability company, (iv) the amendments to the articles of association, (v) the execution of the shareholders' agreement, (vi) adjustments to the corporate governance structure, and (vii) all related change registration matters; and the Minority Shareholder has completed all necessary internal approvals and authorisations, entered into the shareholders' agreement and the amended articles of association and other necessary transaction documents with the Purchaser, and issued the requisite consents and supporting documents required for the completion of the Acquisition and the corresponding corporate governance and registration changes;
- (4) The foreign investment compliance registrations in connection with the Acquisition, including the change of the foreign investor's capital contribution interest and the filing of the amended articles of association, have been approved/confirmed by the competent authorities, or all relevant formalities have been completed (where exempted, a certificate issued by the competent authority shall be obtained);

LETTER FROM THE BOARD

- (5) The enterprise registration changes of the Target Company, including the conversion of the Target Company from a single-member limited liability company to a multi-member limited liability company, registration of member information, change of legal representative and/or authorised representative, amendments to the articles of association and other relevant enterprise registration formalities, have been completed; or the competent authority has issued written confirmation, or other verifiable supporting evidence has been obtained, confirming that such registration procedures may be completed after Completion and will not affect the Purchaser's acquisition of 81% equity interest and corresponding management and control rights in the Target Company;
- (6) Adjustments to the investment registration certificate of the Target Company have obtained the consent or confirmation of the competent investment authority, or the relevant adjustment registration has been completed. If the competent authority confirms that no adjustment to the investment registration certificate is required for the Acquisition, or that such adjustment may be carried out after Completion, corresponding written confirmation or verifiable supporting documents shall be obtained;
- (7) The Target Company has completed or concurrently processed the transparent disclosure, filing, or update of the Ultimate Beneficial Owner (UBO)/de facto controller in accordance with applicable laws of Vietnam;
- (8) Assessment of economic concentration filing under Vietnam Competition Law in respect of the Acquisition has been completed. If the filing thresholds are met, a decision from the competent authority not to prohibit the implementation of the transaction has been obtained, or the review period has expired without a prohibition being issued;
- (9) All parties have completed all necessary confirmations and reviews regarding matters including the Consideration payment arrangement, payment accounts, currency denomination, tax filing, foreign exchange compliance, and bank document requirements;
- (10) All third-party consents and documentary formalities relating to the Target Company's land, industrial park, major contracts, key customers and suppliers, bank loans, guarantees, taxation, employment, environmental protection, fire safety, and other relevant matters have been completed (where such formalities are not required, a written explanation shall be obtained and the relevant liabilities shall be borne);
- (11) The Vendor has completed full settlement of all Divested Assets and Liabilities, and such settlement has been confirmed by the Purchaser;

LETTER FROM THE BOARD

- (12) All representations, warranties, and covenants made by the Vendor and the Target Company under the Equity Transfer Agreement remain true, accurate, and complete as of the date of Completion, and no circumstances exist that would materially adversely affect the Acquisition; and
- (13) The Guarantor has duly executed the transaction and guarantee documents and has provided valid identification, evidence of full civil capacity and legal standing, written confirmation of the voluntary provision of the guarantee and understanding of its scope and Hong Kong arbitration consequences, and all necessary third party consents or authorisations (if required).

Save for condition (2) set out above and any other condition precedent which is incapable of being waived under applicable laws, regulatory requirements, the Listing Rules or by its nature, the Purchaser may waive in writing all or any of the conditions precedent. The Purchaser currently has no intention to waive any of the conditions precedent. If all the aforesaid conditions precedent are not fully satisfied or waived in writing by the Purchaser (where waivable) by 31 December 2026 (or such other date as the Purchaser may agree in writing), the Purchaser shall be entitled to unilaterally terminate the Equity Transfer Agreement and the relevant transaction documents, and demand the Vendor to refund all sums that have already been paid and indemnify the Purchaser against all losses; and the Purchaser shall not bear any liability for breach of contract in respect thereof.

As at the Latest Practicable Date, conditions (11) and (13) set out above have been fulfilled. Completion of the Equity Transfer Agreement is expected to take place in or around March 2027.

COMPLETION

Pursuant to the Equity Transfer Agreement, the Completion shall be deemed to have taken place once all conditions precedent have been fulfilled or waived in writing by the Purchaser, and the Purchaser has issued a confirmation that all completion documents have been duly executed and delivered.

From the date of Completion, the Target Company will become an indirect subsidiary in which the Company holds an 81% equity interest, and its financial results will be consolidated into the Group's financial statements.

LETTER FROM THE BOARD

INFORMATION ON PARTIES TO THE TRANSACTION AGREEMENTS

The Group and the Purchaser

The Company acts as an investment holding company. The Group is principally engaged in the textile and garment businesses, including the production and sale of knitted fabric and garments.

The Purchaser is an indirect wholly-owned subsidiary of the Company established in Singapore, and is principally engaged in international commercial investment.

The Vendor and the Guarantor

The Vendor is a limited liability company incorporated in Seychelles, and is principally engaged in international commercial investment. The Vendor was introduced to the Company through a referral by an industry customer of the Group with which the Group has had a historical business relationship.

The issued share capital of the Vendor is currently owned as to 7.5% by Mr. Song, Da-Tao (also known as Mr. Song Adrian), 35.5% by Lian Ta Hsing Co., Ltd., 19% by Lee & Bridge Co., Ltd., 19% by Poly Charm Inc. and 19% by New Wide International Co., Ltd. Mr. Kao, Wen Cheng, the Guarantor, who is the single largest shareholder of Lian Ta Hsing Co., Ltd., holding approximately 41.6% of its issued share capital. The remaining equity interests are held by ten other individual shareholders, none of whom holds one third or more of its issued share capital.

To the best of the Directors' knowledge, information, and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are independent third parties and neither of them has any business or other relationship with the Company or its connected persons.

The Target Company

The Target Company is a limited liability company incorporated in Tây Ninh Province, Vietnam on 30 August 2016, and is continuously engaged in the production of knits, dyeing and finishing, and supporting textile products. The Target Company holds a land use right to a piece of land located in Phuoc Dong Industrial Zone, Phuoc Dong Commune, Huyện Gò Dầu, Tây Ninh Province, Vietnam, with a site area of approximately 152,903.40 sq.m. and a land use term expiring on 29 December 2058. The properties erected thereon comprise 20 buildings and structures with a total gross floor area of approximately 53,507.57 sq.m., including production workshops, warehouses, an office building and staff dormitories. The Target Company also owns and operates approximately 458 sets of machinery and production equipment and 18 sets of electronic equipment.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the registered capital of the Target Company is US\$36,000,000, and the Vendor legally holds 100% capital interest and ownership interest.

The tables below set out the financial information of the Target Company for the two years ended 31 December 2024 and 2025 and four months ended 30 April 2026 respectively:

	For the financial year ended 31 December 2024 HK\$'000	For the financial year ended 31 December 2025 HK\$'000	1 January 2026 to 30 April 2026 HK\$'000
Revenue	96,651	67,683	15,868
Loss before income tax	(18,028)	(14,625)	(7,495)
Loss for the year/period	(18,024)	(14,622)	(7,502)

The Target Company's net assets as at 30 April 2026 amounted to approximately HK\$120,971,000. The decrease in the Target Company's revenue from approximately HK\$96.7 million for the financial year ended 31 December 2024 to approximately HK\$67.7 million for the financial year ended 31 December 2025, representing a decrease of approximately 30.0%, was mainly attributable to insufficient customer orders. The Target Company's loss-making position during the financial years ended 31 December 2024 and 31 December 2025, and the four months ended 30 April 2026 was principally attributable to its low capacity utilisation, which prevented it from achieving economies of scale, together with its limited independent marketing and product development capabilities and relatively low production and operational efficiency. As a result, the Target Company's cost of sales exceeded its revenue during each of the relevant periods.

SHAREHOLDERS' AGREEMENT

Pursuant to the Equity Transfer Agreement, upon Completion, the Purchaser and the Minority Shareholder will enter into a shareholders' agreement in relation to the Target Company (the "**Shareholders' Agreement**") to regulate their respective rights and obligations as shareholders following Completion.

Pursuant to the Shareholders' Agreement, among other things: (i) the Purchaser, as the holder of 81% equity interest in the Target Company, shall have control over the Target Company in accordance with applicable laws and the constitutional documents of the Target Company; (ii) certain significant matters shall require approval by the shareholders in accordance with the agreed voting thresholds; (iii) the Minority Shareholder's equity interest shall be subject to customary transfer restrictions, including lock-up arrangements and pre-emptive rights; and (iv) the Shareholders' Agreement will contain customary provisions relating to information rights, funding arrangements, transfer of equity interests and other minority protection terms.

LETTER FROM THE BOARD

Under the Shareholders' Agreement, certain reserved matters require approval by members representing at least 82% of the equity interests represented at the relevant meeting. These include any material restriction of the Minority Shareholder's rights to dividends, distribution of residual assets or annual audit; any reorganisation, merger, division, dissolution, liquidation or bankruptcy of the Target Company; any material change in its principal business; the provision of any guarantee exceeding US\$5 million for a third party; and any disposal of its core land use right and principal factory premises.

The Minority Shareholder's 19% equity interest will be subject to a three-year lock-up period from Completion, during which it may not be transferred, pledged or otherwise disposed of without the Purchaser's prior written consent. After the lock-up period, any proposed transfer will be subject to the Purchaser's right of first refusal and may not be made to certain restricted transferees, including competitors, customers, suppliers or other persons who may adversely affect the Target Company's operations. The transfer arrangements are also subject to customary tag-along and drag-along provisions. In the event that the Purchaser exercises such right of first refusal, the Company will comply with the applicable requirements under the Listing Rules, including the requirements under Chapter 14 of the Listing Rules.

The Target Company will be governed by a members' council in accordance with Vietnamese laws. The Purchaser will be entitled to appoint four authorised representatives to the members' council, while the Minority Shareholder will be entitled to appoint one. The chairman of the members' council will be appointed from among the Purchaser's representatives. The Purchaser will also have the right to nominate the general manager, legal representative, person responsible for finance and factory manager of the Target Company. Accordingly, the Purchaser will retain control over the governance and daily operations of the Target Company.

The Shareholders' Agreement shall take effect upon Completion and shall remain in force in accordance with its terms.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a globally leading integrated textile enterprise with a long-standing focus on building its own production capacity and strategically positioning itself within the global industrial supply chain. The Group currently owns eight production facilities in the PRC, Sri Lanka and Indonesia. As at the Latest Practicable Date, the Group did not own or operate any production facility in Vietnam, although it maintained a representative office there. Fountain Set had also engaged in finished fabric trading with companies in Vietnam.

LETTER FROM THE BOARD

The Acquisition will bring the following key benefits:

(1) Acquiring established production capacity

The Target Company is a production and trading company with fabric manufacturing, dyeing and finishing capabilities. It owns an established fabric production factory in Tây Ninh Province, Vietnam, with production equipment already installed on site. Through the Acquisition, the Group will acquire control of the Target Company and thereby obtain access to its core operating assets, comprising factory premises, production equipment and workforce, without the longer lead time and execution risks associated with acquiring land and constructing an entirely new production facility. The Target Company's long-term core operating assets have been independently valued as further described in this circular.

(2) Enhancing regional production capacity and responding to market demand

The Group can gain immediate access to established production facilities and operating teams, substantially shortening the time required to invest in new production capacity and enhancing the Group's fabric knitting, dyeing and finishing capacity in Southeast Asia.

Following Completion, the Group intends to increase the utilisation of the Target Company's existing facilities progressively. Subject to market demand, customer orders, the implementation of the proposed equipment upgrades and the availability of funding, the Group currently targets a production capacity of approximately 1 million pounds per month in 2027 and the Target Company's design capacity of approximately 2 million pounds per month in 2028. The progressive ramp-up is expected to improve the utilisation of the Target Company's facilities, spread fixed production costs over a larger production volume and reduce unit production costs.

The above capacity levels are operational targets based on the Group's current integration plan and are not forecasts or guarantees of the Target Company's future production volume, revenue or profitability. Their achievement will depend on, among other things, market conditions, order intake, customer qualification processes, equipment upgrades and the Target Company's operational performance.

LETTER FROM THE BOARD

(3) Expanding customer coverage and strengthening marketing and product development

The Group intends to incorporate the Target Company into its centralised sales and marketing system and leverage the Group's relationships with international apparel customers and its established marketing team to introduce and allocate suitable orders to the Target Company, subject to customer requirements and commercial considerations. The Target Company's location in Vietnam is expected to enable the Group to provide overseas customers with more localised production, delivery and customer service, thereby broadening the Group's production and sales coverage in Southeast Asia.

The Group also intends to provide the Target Company with access to its research and development resources, production know-how and technical processes. This is expected to facilitate product and process upgrades and the development of higher value-added products, thereby gradually improving the Target Company's product mix and reducing its reliance on lower-margin processing orders.

(4) Optimising the industrial chain layout and strengthening the cost structure

The Group can further refine its industrial chain layout in Southeast Asia, making use of Vietnam's geographical and logistical advantages.

Following Completion, the Group intends to integrate the Target Company into the Group's procurement system for raw and ancillary materials. The Group expects that centralised procurement will enhance its bargaining power, facilitate more consistent material quality and improve procurement efficiency. The Target Company will also adopt the Group's production standards, technical specifications and quality-control procedures, which is expected to improve consistency in product quality across the Group's production bases.

By coordinating production, procurement, inventory, sales and customer allocation among its existing production bases and the Target Company, the Group expects to improve the utilisation of its overall production resources, reduce internal duplication and achieve a more balanced allocation of orders.

LETTER FROM THE BOARD

(5) Implementing an integrated management and operational system

Following Completion, the Group intends to integrate the Target Company into its overall management system and implement standardised production, financial, internal-control, procurement, sales and compliance procedures. The Group intends to nominate the Target Company's chairman of the members' council, general manager, chief financial officer, legal representative and factory manager, and to second an experienced management team to the Target Company. The management team will seek to improve production planning, cost and loss control, workforce allocation, financial risk management and overall operating efficiency. Further details of the governance arrangements and the division of responsibilities between the Purchaser and the Minority Shareholder are set out in the section headed "Shareholders' Agreement" above.

The Group also proposes to upgrade certain production facilities and equipment of the Target Company, which may include new dyeing machines, stenter machines, automatic feeding equipment and a centralised intelligent control system. The proposed upgrades are intended to improve production automation, energy efficiency, product quality and operational control. The scope, timetable and amount of the relevant capital expenditure have not yet been finalised and will be determined with reference to the Target Company's operational requirements, customer orders, expected investment returns and the Group's financial resources.

(6) Advancing overseas expansion and long-term strategy

The Acquisition is in line with the Group's strategy for overseas business development and represents a key initiative in the Group's overseas production capacity deployment. By acquiring control of the Target Company, the Group will expand its business scale in Southeast Asia, diversify the geographical distribution of its production capacity and strengthen the resilience of its global supply chain.

The Group intends to use the Target Company as a principal overseas production base from which it can further develop the Southeast Asia and other overseas markets. The complementary deployment of the Group's domestic and overseas production capacity is expected to provide greater flexibility in responding to changes in customer demand and order flows and reduce the Group's exposure to fluctuations in any single production market.

LETTER FROM THE BOARD

Depending on the Target Company's daily operating requirements and the implementation of any expansion or equipment-upgrade plan, the Target Company may require additional working capital or capital expenditure after Completion. Such funding may be provided through shareholder loans, capital contributions, external financing or a combination thereof. If shareholder funding is required, it is currently contemplated that the Purchaser and the Minority Shareholder will provide such funding with reference to their respective equity interests, subject to the Shareholders' Agreement, applicable laws and the relevant approvals.

As at the Latest Practicable Date, the Group had not entered into any binding commitment to provide any specific amount of additional capital, shareholder loan, guarantee or other financial assistance to the Target Company after Completion, and the amount and timing of any such funding had not been determined. The Company will comply with the applicable requirements under the Listing Rules if any future funding arrangement constitutes a notifiable and/or connected transaction under Chapter 14 and/or Chapter 14A of the Listing Rules.

The Board has considered the Target Company's historical losses and deteriorating performance. However, the Consideration was determined primarily by reference to the independently appraised market value of the Target Company's long-term core operating assets, rather than its historical or projected earnings. Under the transaction arrangements, the relevant current assets and liabilities have already been carved out from the Target Company. Accordingly, the Board considers that the Target Company's historical performance does not render the Consideration unfair or unreasonable.

In view of the above reasons, the Board considers that the Acquisition will help to consolidate and enhance the Group's competitive advantage in the global textile sector, and that the terms of the Acquisition are fair and reasonable and are conducted on normal commercial terms. The Acquisition is in the interest of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the Acquisition, the Group did not have any definitive plan, agreement, arrangement, understanding or negotiation in relation to the acquisition of any other new business or the disposal of any existing business.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios for the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Acquisition will be subject to the approval by the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Transaction Agreements and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting at the EGM to be convened by the Company for approving the Transaction Agreements and the transactions contemplated thereunder.

3. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2029 FINANCIAL SERVICES AGREEMENT

THE 2029 FINANCIAL SERVICES AGREEMENT

The 2028 Financial Services Agreement will expire on 13 July 2028. However, as the Group intends to revise the annual caps for the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance pursuant to the 2028 Financial Services Agreement (from RMB155 million to RMB500 million), the Company (for itself and other members of the Group) entered into the 2029 Financial Services Agreement on 10 August 2026, for a term of three years commencing from 1 November 2026 to 31 October 2029 (both days inclusive). With effect from the effective date of the 2029 Financial Services Agreement, the 2028 Financial Services Agreement shall be automatically terminated and superseded by the 2029 Financial Services Agreement.

The principal terms of the 2029 Financial Services Agreement are set out as follows:

Date

10 August 2026

Parties

- (1) the Company; and
- (2) COFCO Finance

Term

Three years commencing from 1 November 2026 and expiring on 31 October 2029 (both days inclusive).

LETTER FROM THE BOARD

Subject Matter

(a) *Deposit Services*

COFCO Finance will provide the Deposit Services to the Group pursuant to the 2029 Financial Services Agreement. The Group will open and maintain deposit accounts with COFCO Finance.

The interest rates for the Group's deposits with COFCO Finance will not be lower than the standard deposit rates promulgated by the PBC for the same type of deposits for the same period and will not be lower than the interest rates offered by the major PRC commercial banks to COFCO Group for the same type of deposits for the same period.

For funds deposited by the Group with COFCO Finance, COFCO Finance shall deposit all such funds into commercial banks officially approved by the State, including China Construction Bank, Bank of China and Bank of Communications, etc.

In the event that the Group suffers financial loss by reason of the default of COFCO Finance, COFCO Finance shall compensate the Group for such loss suffered by the Group.

(b) *Loan Services*

COFCO Finance will provide comprehensive Loan Services to the Group pursuant to the 2029 Financial Services Agreement such as loans, discounted bills services, etc.

The interest rates to be charged by COFCO Finance for the provision of the Loan Services to the Group will be determined by the parties in accordance with the interest rates promulgated by the PBC from time to time. The interest rates on the Loan Services to be offered by COFCO Finance to the Group will not be higher than the interest rates offered by the major financial institutions in the PRC (including but not limited to PRC commercial banks and PBC) for the same type of loans for the same period.

The specific matters related to the Loan Services shall be separately agreed upon by the parties. The Loan Services will be conducted within the comprehensive credit limit to be offered by COFCO Finance and will be unsecured.

LETTER FROM THE BOARD

(c) Other Financial Services

COFCO Finance will provide the Other Financial Services to the Group in accordance with the scope of services of COFCO Finance which include a wide range of services covered in COFCO Finance's business scope other than the Deposit Services and the Loan Services, for example, financial and financing consultation services, credit appraisal and related consulting services, and settlement services.

The service fees to be charged by COFCO Finance will not be higher than the fees charged by the major financial institutions in the PRC for the same types of services provided to the Group. The Board estimates that the maximum amount of the fees to be charged by COFCO Finance for the Other Financial Services shall not exceed the equivalent of HK\$500,000 on an annual basis.

The major PRC commercial banks and financial institutions as referred to above include Bank of China, Industrial and Commercial Bank of China and China Construction Bank, all being named in the list of systemically important banks (系統重要性銀行名單) issued by PBC and NFRA in February 2026. As such, the Company is of the view that such major PRC commercial banks and financial institutions are suitable for assessment purpose. The Company will review the list of major PRC commercial banks and financial institutions on a monthly basis and/or when the PBC and NFRA update the list of systemically important banks or when the PBC adjusts the interest rates in relation to the services under the 2029 Financial Services Agreement.

Termination

The 2029 Financial Services Agreement may be terminated by mutual agreement between the parties in writing.

Measures of determining the pricing terms

To ensure that the pricing terms of individual transactions under the Deposit Services, the Loan Services and the Other Financial Services will be made in accordance with the pricing principles as stated above, the Group and COFCO Finance shall carry out the measures below:

With respect to the Group, an internal assessment mechanism on checking and comparing the deposit and lending rates, handling and other service fees offered by COFCO Finance versus the ones offered by the PBC, major PRC commercial banks and/or other financial institutions will be established.

LETTER FROM THE BOARD

For example, an analysis and assessment will be conducted daily between (1) the deposit and lending rates offered by COFCO Finance; and (2) the prevailing interest rates offered by at least three major PRC commercial banks, the PBC and/or other financial institutions to the Group before the Group deposits with or obtains loans from COFCO Finance. The relevant information relating to the prevailing interest rates will be obtained by the treasury division of the group finance department of the Company, and the relevant analysis and assessment will be reviewed and approved by the chief financial officer of the Company. Such interest rates will be checked and monitored monthly by the group finance department of the Company while the Group places deposits with COFCO Finance. In addition, quarterly checks on such interest rates will be conducted by an internal audit officer and the general manager of the internal audit department of the Company.

In the event that any of the relevant interest rates or handling or service fees quoted from the major PRC commercial banks, the PBC and/or other financial institutions on similar type of services is better than those offered by COFCO Finance, the Group will inform COFCO Finance to adjust the interest rates or the handling or service fees to ensure the interest rates or handling or service fees of COFCO Finance is on normal commercial terms or better terms to the Group.

Internal control measures

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, as part of the Group's internal control systems to ensure that the transactions between the Group and COFCO Finance are conducted in accordance with the terms of the 2029 Financial Services Agreement, the Company has implemented the following internal control arrangements:

- (1) The group finance department of the Company will monthly monitor the market interest rates with independent third parties in respect of comparable types of financial services.
- (2) The group finance department of the Company and each member of the Group has a designated person to record the initiation of continuing connected transactions.
- (3) The group finance department of the Company will prepare a summary of the transactions each quarter and organise quarterly meetings to review and assess whether the relevant transactions are conducted in accordance with the terms of the 2029 Financial Services Agreement. After the said summary has been reviewed by the internal audit department of the Company and the management, it will be submitted to the audit committee of the Company and the Board for further review.

LETTER FROM THE BOARD

- (4) The internal audit department will quarterly check the accounting records and supporting documents to ensure the pricing terms are in compliance with the pricing principles under the 2029 Financial Services Agreement.
- (5) Each relevant member of the Group shall monitor its own utilisation of the portion of the transaction cap amount allocated to it by the Company (the “**Designated Amount**”). The Company will review the Designated Amount annually and where necessary. If the transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within three months, such member shall inform the relevant personnel in the group finance department and legal department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (a) require such member not to enter any further transactions which would cause the Designated Amount to be exceeded; (b) increase the Designated Amount allocated to such member by reducing the Designated Amount(s) allocated to other member(s); or (c) if the accumulative annual transaction amount of the Group will exceed the relevant annual caps, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the relevant cap and comply with the relevant requirements of the Listing Rules.
- (6) The group finance department of the Company will keep checking to ensure the undertakings of COFCO Finance (as stated above) will remain in place.

Undertakings of COFCO Finance

In addition, COFCO Finance has undertaken to the Company in the 2029 Financial Services Agreement that it will notify the Group in writing within ten working days and will take measures to avoid further losses under any of the following circumstances:

- (1) if COFCO Finance suffers from a bank run of its deposits, or if it fails to pay large amount of debts when they are due, large amount of loans or large amount guaranteed advances are overdue, major failure of computer systems, substantial assets have been robbed or defrauded or the directors or senior managers of COFCO Finance are involved in material breaches of relevant rules and regulations or are involved in criminal proceedings or other material adverse events have occurred;
- (2) material organisational changes or material business risks have occurred that affect or may affect the normal operations of COFCO Finance;

LETTER FROM THE BOARD

- (3) the shareholder loans owed by the shareholders of COFCO Finance have been overdue for more than 6 months;
- (4) major events such as when COFCO Finance is subject to administrative penalties or orders issued by NFRA or other regulatory authorities; and
- (5) other major events which may bring significant security risks to the Group's deposit.

According to COFCO Finance, the ten working days' notice period stated above is a standard term which is applied to all of its similar transactions. Also, such term remained unchanged as compared to 2028 Financial Services Agreement. In view of the above, the Board is of the view that the ten working days' notice period is fair and reasonable. Further, if COFCO Finance has difficulties in repaying the funds deposited by the Group, the Group will be entitled to use such deposit funds in full to set off any payments payable to COFCO Finance by the Group. In the event the set-off amount is not sufficient to cover the funds deposited by the Group, the parties agreed to resolve the dispute through negotiation, and if it fails, the Group will be entitled to resolve it through litigation.

Credit risk assessment of COFCO Finance

The Company has assessed the credit risk arising from the Group's deposits placed with COFCO Finance. COFCO Finance is a licensed financial institution regulated by the NFRA and principally provides deposit-taking and internal financing services to members of the COFCO Group. It mainly places deposits received from member companies with ten cooperating banks and does not place such funds under direct or third-party entrustment arrangements.

Based on public information, as at 30 June 2026, COFCO Finance had total assets of approximately RMB33.87 billion and owners' equity of approximately RMB5.35 billion. It had a capital adequacy ratio of approximately 25.23%, a liquidity ratio of approximately 62.11%, a ratio of outstanding loans to the aggregate of deposits and paid-up capital of approximately 51.44%. Its non-performing asset ratio and non-performing loan ratio were both nil. Its major regulatory indicators complied with the applicable regulatory requirements, and it had no external liabilities or record of material regulatory breaches or risk events.

LETTER FROM THE BOARD

There has been no historical default by COFCO Finance in relation to the deposit services provided to the Group under the financial services agreements. COFCO Finance is controlled by COFCO, which is ultimately controlled by the SASAC. Having considered the above, including the historical transactions between the parties and the financial and regulatory indicators of COFCO Finance, the Board considers that the credit risk arising from the Group's deposits placed with COFCO Finance is manageable.

The Board is of the view that the Group has implemented effective internal control procedures as set out above to ensure that the pricing and other contract terms of the transactions under the 2029 Financial Services Agreement will be conducted on normal commercial terms and no less favourable to the Group than the terms available from independent third parties.

Historical caps and transaction value of the Deposit Services under the 2028 Financial Services Agreement

Under the 2028 Financial Services Agreement, the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance for the period from 14 July 2025 to 13 July 2028 is RMB155 million.

The historical maximum daily balance of deposits (including accrued interests) for the period from 14 July 2023 to 13 July 2024, the period from 14 July 2024 to 13 July 2025, the period from 14 July 2025 to 13 July 2026 are as follows:

Transaction	Historical maximum daily deposit balance for the period from		
	14 July 2023 to 13 July 2024	14 July 2024 to 13 July 2025	14 July 2025 to 13 July 2026
	(RMB million)		
Maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance	154	154	155

Proposed Deposit Annual Caps for the 2029 Financial Services Agreement and the basis thereof

The Board proposed the Deposit Annual Caps in the amount of RMB500 million (including accrued interests) on a daily basis.

LETTER FROM THE BOARD

In arriving the Deposit Annual Caps for the 2029 Financial Services Agreement, the Company has taken into account the following factors:

- (1) as at 30 June 2026, the transaction amount of the Deposit Services under the 2028 Financial Services Agreement reached approximately RMB155 million, representing full utilisation of the existing annual caps for the Deposit Services. The Group expects to maintain daily deposit balances with COFCO Finance of up to RMB500 million, particularly during periods of peak cash inflow from sales and financing activities, to optimise treasury management and interest income.
- (2) as at 31 December 2025, the Group's net bank balances and cash and short-term bank deposits amounted to approximately HK\$1,547.2 million, representing an increase of approximately 24.1% from HK\$1,246.7 million as at 31 December 2024. Notably, the increase in net bank balances and cash and short-term bank deposits of approximately HK\$300.5 million (equivalent to approximately RMB263.2 million) over this period already accounts for approximately 76.3% of the increment in the Deposit Annual Caps for the 2029 Financial Services Agreement (which is an increase of RMB345 million from the previous year's cap). The Deposit Annual Caps of RMB500 million therefore represents approximately 36.9% of the Group's net bank balances and cash and short-term bank deposits as at 31 December 2025 (which is approximately HK\$1,547.2 million, equivalent to approximately RMB1,354.9 million), allowing the Group to place a significant portion of its available funds with COFCO Finance while maintaining flexibility for operational needs and prudent risk diversification;
- (3) the financial services arrangements offered by COFCO Finance have been developed into an efficient cash management platform which can handle a large volume of transactions; and
- (4) the interest rates on the Deposit Services to be offered by COFCO Finance to the Group will not be lower than the standard deposit rates promulgated by the PBC for the same type of deposits for the same period and will not be lower than the interest rates offered by the major PRC commercial banks to COFCO Group for the same type of deposits for the same period. Therefore, depositing funds with COFCO Finance will directly increase deposit interest income, which is beneficial to improving the level of the Group's capital gains.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2029 FINANCIAL SERVICES AGREEMENT

COFCO Finance is a non-banking financial institution approved and regulated by PBC and NFRA, and is authorised to provide various kinds of financial services to COFCO and its member companies in the PRC, including deposit-taking and loan services. The main reasons for the Group to enter into the 2029 Financial Services Agreement with COFCO Finance are as follows:

- (a) the use of COFCO Finance as a vehicle to manage the funds of the Group would allow more sources for financing and improve the efficiency of the use of the Group's funds;
- (b) the 2029 Financial Services Agreement will not preclude the Group from using the financial services offered by other financial institutions which the Group has discretion in choosing as it thinks fit and appropriate in the interests of the Company and the Shareholders as a whole. When required, the Group will solicit for quotations from major commercial banks and/or other financial institutions in respect of similar transactions for comparison and consideration;
- (c) COFCO Finance is regulated by PBC and NFRA, and it provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In addition, capital risk can be prevented through the implementation of the risk control measures as stipulated in the 2029 Financial Services Agreement; and
- (d) the arrangements under the 2029 Financial Services Agreement would allow for prompt and accurate monitoring and regulation of the application of funds within the Group, thus enhancing the capital management and control of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the 2029 Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms, the transactions contemplated thereunder and the Deposit Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

No Director has any material interests in the transactions contemplated under the 2029 Financial Services Agreement and accordingly had not abstained from voting on the relevant resolutions of the Board approving the 2029 Financial Services Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

COFCO is a controlling shareholder of the Company interested in 489,814,000 Shares, representing approximately 39.98% of the number of issued Shares as at the date of the 2029 Financial Services Agreement. COFCO Finance is an indirect wholly-owned subsidiary of COFCO and is therefore an associate of COFCO and a connected person of the Company under the Listing Rules. Accordingly, the 2029 Financial Services Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Deposit Services are conducted on normal commercial terms or better terms and the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Annual Caps is more than 25%, the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps) are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and also constitutes a major transaction under Chapter 14 of the Listing Rules.

As the Loan Services are conducted on normal commercial terms or better terms to the Group where no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance the Loan Services are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As the Other Financial Services are conducted on normal commercial terms or better terms to the Group and the applicable percentage ratios (other than the profits ratio) in respect of the Other Financial Services are less than 0.1%, the Other Financial Services are de minimis transactions and fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

INFORMATION ON THE GROUP AND COFCO FINANCE

The Group is principally engaged in the production and sale of dyed knitted fabrics and dyed yarns, as well as the manufacturing and sale of finished garments.

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC since 2002 with the approval of PBC. It is subject to the supervision of PBC and NFRA and is authorised to provide services such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business services; (b) assisting implementation of payables and receivables of the transaction amounts; (c) handling of deposits, loans and bills acceptance and discounting; (d) conduct settlements and other relevant settlements; and (e) the provision of loans and financing leases.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. NG Kwok Tung, Mr. YING Wei, Mr. WONG Kwong Chi and Dr. LIN Lin, being all the independent non-executive Directors, has been formed to consider the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps), and to advise the Independent Shareholders as to whether the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps) are on normal commercial terms or better and fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

The Independent Board Committee, having considered the advice and recommendation of Donvex Capital, that the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps) are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM for approving the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps).

The text of the letter from the Independent Board Committee is set out on pages 44 to 45 of this circular, the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 46 to 64 of this circular.

4. EGM

A notice convening the EGM to be held on Thursday, 29 October 2026 is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

A form of proxy in connection with the EGM is also enclosed with this circular. If you are unable to attend the meeting but wish to exercise your right as a Shareholder, you are requested to complete the form of proxy and return it to the Company's share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours (excluding any public holiday in Hong Kong) before the time appointed for holding the EGM or the adjournment thereof.

No Shareholder will be required to abstain from voting on the relevant resolutions approving the Transaction Agreements and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, COFCO (being the holding company of COFCO Finance) and its associates are interested in 489,814,000 Shares, representing approximately 39.98% of the issued Shares, and are required to abstain from voting on the relevant resolutions approving the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps) at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the relevant resolutions approving the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps).

5. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to a procedural or an administrative matter to be voted on by a show of hands, any vote of the Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the EGM will be voted on by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

LETTER FROM THE BOARD

6. RESPONSIBILITY STATEMENT

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

7. RECOMMENDATION

The Board is of the view that the terms of the Transaction Agreements and the transactions contemplated thereunder (including the Acquisition) are on normal commercial terms, fair and reasonable, in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transaction Agreements and the transactions contemplated thereunder (including the Acquisition).

In addition, the Board (including the Independent Board Committee after considering the advice of Donvex Capital) considers that the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps) are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps).

8. GENERAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Fountain Set (Holdings) Limited
XI Qiang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



福田實業(集團)有限公司
Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability) (Stock Code: 420)

5 October 2026

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2029 FINANCIAL SERVICES AGREEMENT

We refer to the circular of the Company dated 5 October 2026 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services (including the Deposit Annual Caps) are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their advice, together with the principal factors and reasons that have been taken into consideration in giving such advice, are set out in its letter set out on pages 46 to 64 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 7 to 43 of the Circular and the additional information set out in Appendix VI to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services and the principal factors and reasons considered by, and the advice and recommendation of the Independent Financial Adviser, we concur with its view and consider that the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services (including the Deposit Annual Caps) are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM, which are set out in the notice convening the EGM, to approve the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services (including the Deposit Annual Caps).

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. NG Kwok Tung

Independent

non-executive

Director

Mr. YING Wei

Independent

non-executive

Director

Mr. WONG Kwong Chi

Independent

non-executive

Director

Dr. LIN Lin

Independent

non-executive

Director

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter of advice from Donvex Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

5 October 2026

*The Independent Board Committee and the Independent Shareholders of
Fountain Set (Holdings) Limited*

Dear Sir/Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2029 FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to

- (i) the revision of the annual caps for the Deposit Services from RMB155 million for the respective years from 14 July 2025 to 13 July 2028 under the 2028 Financial Services Agreement (the “**Existing Deposit Annual Caps**”) to RMB500 million for the respective years from 1 November 2026 to 31 October 2028 under the 2029 Financial Services Agreement (the “**Revised Deposit Annual Caps**”); and
- (ii) the proposed annual caps for the Deposit Services of RMB500 million for the year from 1 November 2028 to 31 October 2029 under the 2029 Financial Services Agreement (the “**Proposed Deposit Annual Cap**”),

details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 5 October 2026 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

As stated in the Letter from the Board, on 10 August 2026, the Company entered into the 2029 Financial Services Agreement with COFCO Finance for the Deposit Annual Caps.

As at the Latest Practicable Date, COFCO is a controlling Shareholder interested in 489,814,000 Shares, representing approximately 39.98% of the issued Shares. COFCO Finance is an indirect wholly-owned subsidiary of COFCO and is therefore an associate of COFCO and a connected person of the Company under the Listing Rules. Accordingly, the 2029 Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM DONVEX CAPITAL

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise the annual caps for the continuing connected transactions, the Company will be required to re-comply with relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

As the highest of the applicable percentage ratios in respect of the Deposit Annual Caps is more than 25%, the Deposit Annual Caps are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and also constitute a major transaction under Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, all resolutions shall be passed by way of poll at the EGM. Any Shareholder with a material interest in the Deposit Annual Caps and his close associates shall abstain from voting on the ordinary resolutions for approving the Deposit Annual Caps at the EGM. As COFCO has a material interest in the Deposit Annual Caps, COFCO and its associates shall abstain from voting on the relevant resolutions for approving the 2029 Financial Services Agreement and the Deposit Annual Caps contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolutions approving the 2029 Financial Services Agreement and the Deposit Annual Caps contemplated thereunder at the EGM.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. NG Kwok Tung, Mr. YING Wei, Mr. WONG Kwong Chi and Dr. LIN Lin, has been established to advise the Independent Shareholders on (i) whether the terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the continuing connected transactions of the Deposit Services (including the Deposit Annual Caps) are on normal commercial terms or better and are fair and reasonable; (ii) whether the Deposit Services are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the EGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

In the past two years immediately preceding the Latest Practicable Date, we have not acted as the independent financial adviser to independent board committee and independent shareholders of the Company.

LETTER FROM DONVEX CAPITAL

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the 2029 Financial Services Agreement (relating to the Deposit Services) and the Deposit Annual Caps contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the 2029 Financial Services Agreement (relating to the Deposit Services) and the Deposit Annual Caps contemplated thereunder and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

LETTER FROM DONVEX CAPITAL

For the purpose of complying with Rule 13.80(2) of the Listing Rules, we have taken all reasonable steps and exercised due skill, care and diligence in formulating our opinion and recommendation. In reaching our opinion, we have, among other things, taken the following steps:

- (i) reviewed the terms of the 2029 Financial Services Agreement and the 2028 Financial Services Agreement;
- (ii) reviewed the annual report of the Group for FY2025 (the “**2025 Annual Report**”) and the interim report of the Group (the “**2026 Interim Report**”) for the six months ended 30 June 2026 (“**6M2026**”);
- (iii) reviewed the audited financial statements of COFCO Finance for the year ended 31 December 2024 (“**FY2024**”) and the year ended 31 December 2025 (“**FY2025**”), the unaudited financial information of COFCO Finance for the six months ended 30 June 2025 (“**6M2025**”) and 6M2026, and the audited financial statements of COFCO for FY2025;
- (iv) reviewed the key financial ratios of COFCO Finance as at 31 December 2024, 31 December 2025 and 30 June 2026 against the requirements under the Measures for the Administration of Finance Companies of Enterprise Groups* (企業集團財務公司管理辦法)(the “**Measures**”);
- (v) obtained and reviewed the Summaries (as defined in the section headed “4. Assessment on the internal control procedures”) prepared by the finance department of the Group for a randomly selected quarter in each of 2024, 2025 and 2026, which recorded the deposit rates offered by COFCO Finance and the External Banks (as defined in the section headed “4. Assessment on the internal control procedures”);
- (vi) obtained and reviewed the relevant record of the Board relating to the quarterly review of the Deposit Services conducted during the aforesaid quarters; and
- (vii) discussed with the management of the Company the background of and reasons for entering into the 2029 Financial Services Agreement, the basis of determining the Deposit Annual Caps and the internal control policies and procedures adopted by the Group in respect of the Deposit Services.

LETTER FROM DONVEX CAPITAL

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with the 2029 Financial Services Agreement (relating to the Deposit Services) and the Deposit Annual Caps contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

A. Background information of the parties

1. The Group

The Group is principally engaged in the production and sale of dyed knitted fabrics and dyed yarns, as well as the manufacturing and sale of finished garments.

The tables below set forth a summary of the consolidated financial information of the Group for FY2024 and FY2025 as extracted from the 2025 Annual Report, and for 6M2025 and 6M2026 as extracted from the 2026 Interim Report:

	FY2024	FY2025	6M2025	6M2026
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	4,427	4,137	1,937	1,984
Profit for the year/period	35	84	36	71

Revenue

The revenue of the Group for FY2025 amounted to approximately HK\$4,137 million, representing a decrease of approximately 6.5% as compared to approximately HK\$4,427 million for FY2024, which was primarily attributable to a decrease in export orders due to the impact of the U.S. tariff war.

The revenue of the Group increased by 2.4% from approximately HK\$1,937 million for 6M2025 to approximately HK\$1,984 million for 6M2026, which was primarily attributable to an increase in the revenue from the production and sales of garments as a result of its business expansion in Indonesian market during 6M2026.

LETTER FROM DONVEX CAPITAL

Profit for the year

Profit for the year of the Group increased by approximately 143.4% from approximately HK\$34.6 million for FY2024 to approximately HK\$84 million for FY2025, which was mainly due to the decrease in distribution and selling expenses for FY2025 as compared to FY2024 as a result of enhancement of operation efficiency and effective stringent cost control of the Group during FY2025.

Profit for the period of the Group increased by approximately 97.2% from approximately HK\$36 million for 6M2025 to approximately HK\$71 million for 6M2026, which was mainly due to the increase in revenue for 6M2026 as compared to 6M2025 as a result of its business expansion in Indonesian market during 6M2026.

	As at 31 December		As at 30 June
	2024	2025	2026
	HK\$ million	HK\$ million	HK\$ million
	(Audited)	(Audited)	(Unaudited)
Total assets	4,615	4,525	4,644
Total liabilities	1,159	1,043	1,140
Net assets	3,456	3,482	3,504

Total assets

The consolidated total assets of the Group decreased from approximately HK\$4,615 million as at 31 December 2024 to approximately HK\$4,525 million as at 31 December 2025, which was mainly due to the decrease in the carrying amount of property, plant and equipment as a result of an increase in the impairment loss for the idle equipment and plant and machineries which are not expected to use in the future.

The consolidated total assets of the Group increased from approximately HK\$4,525 million as at 31 December 2025 to approximately HK\$4,644 million as at 30 June 2026, which was mainly due to the increase in the inventories and trade and bills receivables as a result of its revenue growth in 6M2026.

Total liabilities

The consolidated total liabilities of the Group increased from approximately HK\$1,043 million as at 31 December 2025 to approximately HK\$1,140 million as at 30 June 2026, which was primarily attributable to the higher balance of trade and bills payables as a result of the increase in cost of sales during 6M2026.

LETTER FROM DONVEX CAPITAL

Net assets

The net assets of the Group increased from approximately HK\$3,456 million as at 31 December 2024 to approximately HK\$3,482 million as at 31 December 2025, which was mainly due to the increase in the profit after taxation of the Group in FY2025.

The net assets of the Group increased from approximately HK\$3,482 million as at 31 December 2025 to approximately HK\$3,504 million as at 30 June 2026, which was mainly due to the increase in the profit after taxation of the Group in 6M2026.

2. COFCO Finance

Financial information of COFCO Finance

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC on 24 September 2002 with the approval of PBC. It is subject to the supervision of PBC and NFRA and is authorised to provide services to members of COFCO such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business services; (b) settlement of receivables and payables; (c) handling of deposits, loans and bills acceptance and discounting; and (d) the provision of loans and financing leases.

The tables below set forth a summary of the key financial information of COFCO Finance for FY2024, FY2025, the six months ended 30 June 2025 (“**6M2025**”) and six months ended 30 June 2026 (“**6M2026**”):

	FY2024	FY2025	6M2025	6M2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Net interest income	207	191	97	133
Profit after taxation	202	163	208	177

	As at 31 December		As at 30 June
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)
Total assets	33,926	30,550	33,873
Total liabilities	28,941	25,380	28,526
Net assets	4,985	5,170	5,347

LETTER FROM DONVEX CAPITAL

Net interest income

The net interest income of COFCO Finance decreased from approximately RMB207 million for FY2024 to approximately RMB191 million for FY2025, which was primarily attributable to (i) a decrease in interest income as a result of the reduction in the scale of loans and advances; and (ii) a decrease in the interest expenses paid for the deposits from COFCO and its subsidiaries.

The net interest income of COFCO Finance increased from approximately RMB97 million for 6M2025 to approximately RMB133 million for 6M2026, which was mainly due to a decrease in the interest expenses paid for the deposits from COFCO and its subsidiaries.

Profit after taxation

The profit after taxation of COFCO Finance decreased from approximately RMB202 million for FY2024 to approximately RMB163 million for FY2025, which is mainly due to the decrease in the net interest income.

The profit after taxation of COFCO Finance decreased from approximately RMB208 million for 6M2025 to approximately RMB177 million for 6M2026, which is mainly due to (i) a decrease in the net interest income; and (ii) an increase in exchange losses during 6M2026.

Total assets

The total assets of COFCO Finance decreased from approximately RMB33,926 million as at 31 December 2024 to approximately RMB30,550 million as at 31 December 2025, which was primarily attributable to the decrease in deposits with banks and other financial institutions.

The total assets of COFCO Finance increased from RMB30,550 million as at 31 December 2025 to RMB33,873 million as at 30 June 2026, which was mainly due to the increase in deposits with banks and other financial institutions and the financial assets held for trading.

Total liabilities

The total liabilities of COFCO Finance decreased from approximately RMB28,941 million as at 31 December 2024 to approximately RMB25,380 million as at 31 December 2025, which was primarily attributable to the decrease in deposits from COFCO and its subsidiaries.

LETTER FROM DONVEX CAPITAL

The total assets of COFCO Finance increased from RMB25,380 million as at 31 December 2025 to RMB28,526 million as at 30 June 2026, which was mainly due to the increase in deposits from COFCO and its subsidiaries.

Our assessment on compliance with the Measures

As a financial institution regulated by PBC and NFRA, COFCO Finance is required to operate in compliance with the Measures to prevent possible financial risk, including credit risk.

Pursuant to the Measures, it requires the following:

- (i) COFCO Finance is required to comply with several key financial ratios set out in the Measures and any other benchmarks as required by NFRA; and
- (ii) in the event that COFCO Finance falls into financial difficulty, COFCO would undertake to provide financial support to COFCO Finance to satisfy its capital need, such as additional capital injection into COFCO Finance, to restore its financial position.

Key financial ratios of COFCO Finance

The below table sets out the key financial ratios specified in the Measures and the relative financial ratios of COFCO Finance as at 31 December 2024 and 2025 and 30 June 2026 as provided by the Company:

No.	Key financial ratios	Requirements under the Measures	As at 31 December 2024	As at 31 December 2025	As at 30 June 2026
1.	Capital adequacy ratio	10% or more	20.57%	22.77%	25.23%
2.	Liquidity ratio	25% or more	47.71%	41.18%	62.11%
3.	Loan balance to the sum of deposits balance and paid-up capital ratio	80% or less	67.29%	72.94%	51.44%
4.	Total external liabilities to net capital ratio	100% or less	0.00%	0.00%	0.00%
5.	Balance of bill acceptance to total asset ratio	15% or less	0.00%	0.00%	0.00%
6.	Balance of bill acceptance to deposits placed with other financial institutions ratio	300% or less	0.00%	0.00%	0.00%

LETTER FROM DONVEX CAPITAL

No.	Key financial ratios	Requirements under the Measures	As at 31 December 2024	As at 31 December 2025	As at 30 June 2026
7.	Total balance of bill acceptance and discounted bills to net capital ratio	100% or less	0.00%	0.00%	0.00%
8.	Balance of margin deposit for bill acceptance ratio	10% or less	0.00%	0.00%	0.00%
9.	Total amount of investment to net capital ratio	70% or less	1.76%	0.00%	46.72%
10.	Fixed assets to net capital ratio	20% or less	0.18%	0.13%	0.11%

As set out in the table above and confirmed by the Company, COFCO Finance complied with the requirements under the Measures, including the financial ratio requirements, as at 31 December 2024 and 2025 and 30 June 2026.

Financial support from COFCO

Pursuant to the Measures, COFCO, as the parent company of COFCO Finance, shall bear the responsibility to prevent and resolve any financial risks of COFCO Finance. As and when required, COFCO shall inject capital into COFCO Finance.

In our assessment on the sufficiency of the undertaking by COFCO, we have reviewed the respective audited financial statements of COFCO and COFCO Finance for FY2025 and noted that:

- (i) the revenue and profit after tax of COFCO for FY2025 amounted to RMB589,063 million and RMB5,893 million, respectively. As at 31 December 2025, COFCO Group's total assets and total liabilities amounted to RMB721,601 million and RMB465,823 million, respectively. The net assets of COFCO amounted to RMB255,779 million as at 31 December 2025. Having considered that COFCO is substantially larger than COFCO Finance in terms of total assets and net assets and taking into account the financial performance of COFCO for FY2025, we consider that COFCO would be able to provide the necessary financial backing to COFCO Finance to maintain its financial health, as and when required under the Measures and the articles of association of COFCO Finance. Therefore, the undertaking by COFCO is meaningful and practical; and

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- (ii) the cash and bank balances of COFCO as at 31 December 2025 amounted to approximately RMB66,015 million, which is sufficient to cover the Deposit Annual Caps of RMB500 million.

As such, we are of the view that COFCO has the capacity to provide financial support to COFCO Finance to restore its financial position in the event that COFCO Finance falls into financial difficulty.

B. The 2029 Financial Services Agreement and Deposit Annual Caps

1. Background

On 22 April 2025, the Company entered into the 2028 Financial Services Agreement with COFCO Finance, pursuant to which COFCO Finance agreed to provide the Deposit Services, the Loan Services and the Other Financial Services to the Group for a term of three years commencing from 14 July 2025 to 13 July 2028.

As the Group intends to revise the annual caps for the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance from RMB155 million (as stated under the 2028 Financial Services Agreement) to RMB500 million, on 10 August 2026, the Company (for itself and other members of the Group) entered into the 2029 Financial Services Agreement with COFCO Finance for a term of three years commencing from 1 November 2026 to 31 October 2029 (both days inclusive). From the effective date of the 2029 Financial Services Agreement, the 2028 Financial Services Agreement shall be automatically terminated and superseded by the 2029 Financial Services Agreement.

2. Reasons for and benefits of the entering into of the 2029 Financial Services Agreement

As stated under the section headed “B. The 2029 Financial Services Agreement and Deposit Annual Caps – 5. The Deposit Annual Caps” below, taking into account

- (i) the Existing Deposit Annual Caps would be insufficient and needs to be revised upwards to accommodate the latest business development of the Group due to the expected increase in bank balances and cash of the members of the Group for the three years ending 31 October 2029;
- (ii) under the 2029 Financial Services Agreement, COFCO Finance would serve as a fund management platform of the Group, which would allow the Group to access more sources of financing and improve the efficiency of the use of the Group’s funds;

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- (iii) the 2029 Financial Services Agreement will not preclude the Group from using the financial services offered by other banks or financial institutions which the Group has discretion in choosing as it considers fit and appropriate in the interests of the Company and its Shareholders as a whole. When required, the Group will solicit for quotations from major commercial banks and/or other financial institutions in respect of similar transactions for comparison and consideration;
- (iv) COFCO Finance is regulated by PBC and NFRA, and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In addition, capital risk can be prevented through the implementation of the risk control measures as stipulated in the 2029 Financial Services Agreement;
- (v) the arrangements under the 2029 Financial Services Agreement would allow for prompt and accurate monitoring and regulation of the application of funds within the Group, thus enhancing the capital management and control of the Group; and
- (vi) in view of the more favourable deposit interest rates offered by COFCO Finance to the members of the Group, the Directors expect that the amount of deposits placed by the members of the Group with COFCO Finance will increase for the three years ending 31 October 2029,

we are of the view that the Deposit Services provide an opportunity for the Group to manage its RMB cash and bank balances at interest rates which may be more favourable than those offered by other banks or financial institutions, and that the Deposit Services are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2029 Financial Services Agreement

Set out below are the principal terms of the Deposit Services under the 2029 Financial Services Agreement.

Date

10 August 2026

Parties

- (i) the Company (for itself and other members of the Group); and
- (ii) COFCO Finance

LETTER FROM DONVEX CAPITAL

Term

Three years commencing from 1 November 2026 and expiring on 31 October 2029 (both days inclusive)

Subject Matter

COFCO Finance will provide the Deposit Services to the Group pursuant to the 2029 Financial Services Agreement. The Group will open and maintain deposit accounts with COFCO Finance and may, on the principle of free deposit and withdrawal, deposit funds into the deposit accounts opened with COFCO Finance. The deposits may take the form of, among others, current deposits, fixed deposits, call deposits and agreement deposits.

For funds deposited by the Group with COFCO Finance, COFCO Finance shall deposit all such funds into the major PRC commercial banks and financial institutions as disclosed in the list of systemically important banks* (系統重要性銀行名單) updated by PBC and NFRA in February 2026 (the “**Systemically Important Banks**”).

In the event that COFCO Finance fails to pay the deposits of the Group in full and on time, the Group is entitled to terminate the 2029 Financial Services Agreement and may, in accordance with the applicable laws, set off the deposits payable by COFCO Finance to the Group against the loans of the Group with COFCO Finance. In the event that the Group suffers any financial loss by reason of other default of COFCO Finance, COFCO Finance shall compensate the Group in full for such loss suffered by the Group, and the Group is entitled to terminate the 2029 Financial Services Agreement.

In addition, COFCO Finance has undertaken to the Company in the 2029 Financial Services Agreement that it will notify the Group in writing within ten working days and will take measures to avoid further losses under any of the following circumstances:

- (i) if COFCO Finance suffers from a bank run of its deposits, or if it fails to pay large amount of debts when they are due, substantial amount of loans or guaranteed advances are overdue, major failure of computer systems, material assets have been robbed or defrauded or the directors or senior managers of COFCO Finance are involved in material breaches of relevant rules and regulations or are involved in criminal proceedings or other material adverse events have occurred;

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- (ii) material organisational changes or material business risks have occurred that affect or may affect the normal operations of COFCO Finance;
- (iii) the shareholder loans owed by the shareholders of COFCO Finance have been overdue for more than 6 months;
- (iv) major events such as when COFCO Finance is subject to administrative penalties or orders issued by NFRA or other regulatory authorities; and
- (v) other major events which may bring significant security risks to the Group's deposit.

As stated in the Letter from the Board, according to COFCO Finance, the ten working days' notice period stated above is a standard term which is applied to all of its similar transactions, which remained unchanged as compared to the 2028 Financial Services Agreement. Moreover, if COFCO Finance has difficulties in repaying the funds deposited by the Group, the Group will be entitled to use such deposit funds in full to set off any payments payable to COFCO Finance by the Group. In the event the set-off amount is not sufficient to cover the funds deposited by the Group, the parties agreed to resolve the dispute through negotiation, and if it fails, the Group will be entitled to resolve it through litigation.

Pricing Terms

The interest rates for the Group's deposits with COFCO Finance will be determined in accordance with the standard deposit rates promulgated by the PBC from time to time. The interest rates on the Deposit Services to be offered by COFCO Finance to the Group will not be lower than the standard deposit rates promulgated by the PBC or the interest rates offered by the major PRC commercial banks for the same type of deposits during the same period. The Company will review the list of major PRC commercial banks and financial institutions on a monthly basis and/or when the PBC and NFRA update the list of systemically important banks or when the PBC adjusts the interest rates in relation to the services under the 2029 Financial Services Agreement.

LETTER FROM DONVEX CAPITAL

In view of:

- (i) the undertakings given by COFCO Finance to notify the Group of any major events that may affect the Group's deposits within ten working days and to compensate the Group for any financial loss arising from COFCO Finance's default; and
- (ii) the pricing terms of the Deposit Services being benchmarked against the standard deposit rates promulgated by the PBC and the interest rates offered by major PRC commercial banks, which ensures that the Group will receive deposit rates no lower than the prevailing market rates,

we are of the view that the terms of Deposit Services under the 2029 Financial Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. *Assessment on the internal control procedures*

According to the Company, when implementing the pricing measures of the Deposit Services, the finance department of the Group prepares a summary of (a) deposit rates offered by the banks in the PRC with which the Group places deposits in RMB (the “**External Banks**”); and (b) deposit rates offered by COFCO Finance on a monthly basis (the “**Summary**”). The External Banks shall be included in the Systemically Important Banks. The Summary is updated by the finance department whenever the deposit rates are revised by PBC and reviewed by the general manager of the finance department of the Group on a monthly basis to reflect the current deposit rates offered by the External Banks and COFCO Finance for the purposes of ensuring the deposit rates offered by COFCO Finance are no less favourable than those offered by the External Banks.

According to the Company, the implementation of the Deposit Services, including the pricing, shall be reviewed by the internal audit department of the Company, the audit committee of the Company and the Board on a quarterly basis.

In order to understand the implementation of the internal control procedures associated with Deposit Services, we have randomly selected a same quarter, which included Summaries for the respective three months, in each of the three years of 2024, 2025 and 2026 and obtained from the finance department of the Group the Summaries prepared for the relevant quarters for our following review:

- (i) we noted that the Summaries recorded the deposit rates offered by COFCO Finance and the External Banks comprising Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and China CITIC Bank. We have compared the list of principal PRC commercial banks of the Company with the list of Systemically Important Banks and noted that all the External Banks are included in the list of Systemically Important Banks; and

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- (ii) we compared the interest rates offered by the External Banks with those offered by COFCO Finance during the same quarter and noted that the deposit rates offered by COFCO Finance were all more favourable than those offered by the External Banks. We further noted that, in each of the relevant samples reviewed by us, the Company had obtained the interest rates offered by not less than three different External Banks for the same type of deposits during the same period for comparison with those offered by COFCO Finance.

For the purposes of understanding the quarterly review conducted by the internal audit department of the Company, the audit committee of the Company and the Board, we also obtained from the Company the relevant record of the Board relating to a quarterly review conducted during the same quarters we have selected above, documenting the review of the interest rates offered by COFCO Finance and the External Banks during these quarters.

We note that the internal audit department of the Company and the Board confirmed that (i) the interest rates offered by COFCO Finance were more favourable than those offered by the External Banks during the quarter; and (ii) the Deposit Services had been carried out in accordance with the terms and the internal control procedures associated with Deposit Services.

In light of the above and taking account into the facts that:

- (i) the deposit rates offered by COFCO Finance to the Group will not be lower than the standard deposit rates promulgated by the PBC or the interest rates offered by the major PRC commercial banks for the same type of deposits during the same period;
- (ii) the finance department of the Group prepares the Summary on a quarterly basis, updates the Summary whenever the deposit rates are revised by the PBC and reviews the Summary on a monthly basis, which enables the Group to monitor and compare, on an ongoing basis, the deposit rates offered by COFCO Finance against those offered by not less than three External Banks;
- (iii) as evidenced by the Summaries for the quarters randomly selected by us, the deposit rates offered by COFCO Finance were all more favourable than those offered by the External Banks for the same type of deposits during the same period; and

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- (iv) the implementation of the Deposit Services, including the pricing, is subject to quarterly review by the general manager of finance department of the Group, the internal audit department of the Company, the audit committee of the Company and the Board,

we are of the view that the internal control policies and procedures adopted by the Group are effective and sufficient to ensure that the Deposit Services would be conducted on normal commercial terms and that the terms of the Deposit Services are fair and reasonable so far as the Independent Shareholders are concerned.

5. *The Deposit Annual Caps*

(1) *The historical transaction amounts and Deposit Annual Caps*

The following table sets forth (i) the comparison between the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance under the 2028 Financial Services Agreement for the period from 14 July 2025 to 13 July 2026 and the Existing Deposit Annual Caps for the period from 14 July 2025 to 13 July 2026; (ii) the comparison between the Existing Deposit Annual Caps and the Revised Deposit Annual Caps; and (iii) the Proposed Deposit Annual Cap:

		For the period from						
		14 July 2025 to 13 July 2026		14 July 2026 to 13 July 2027	1 November 2026 to 31 October 2027	14 July 2027 to 13 July 2028	1 November 2027 to 31 October 2028	1 November 2028 to 31 October 2029
		RMB million Existing	RMB million Revised	RMB million Existing	RMB million Revised	RMB million Existing	RMB million Revised	RMB million Proposed
Maximum daily balance	a	155	N/A	N/A	N/A	N/A	N/A	N/A
Annual cap	b	155	500	155	500	155	500	500
Utilization rate	c=a/b	100%	N/A	N/A	N/A	N/A	N/A	N/A

(2) *Basis of the Deposit Annual Caps*

We noted that the Deposit Annual Caps of RMB500 million represent an increase of approximately 222.6% as compared to the Existing Deposit Annual Caps of RMB155 million for the Deposit Services under the 2028 Financial Services Agreement.

As discussed with the management of the Company, we understand that, in arriving at the Deposit Annual Caps under the 2029 Financial Services Agreement, the Company has considered the following factors:

- (i) as at 30 June 2026, the transaction amount of the Deposit Services under the 2028 Financial Services Agreement reached approximately RMB155 million, representing full utilisation of the Existing Deposit Annual Caps;

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- (ii) the Group expects to maintain daily deposit balances with COFCO Finance of up to RMB500 million for the purpose of centralising the management of daily funds under the COFCO's regulations;
- (iii) as at 31 December 2025, the Group's net bank balances and cash and short-term bank deposits amounted to approximately HK\$1,547.2 million, representing an increase of approximately 24.1% from HK\$1,246.7 million as at 31 December 2024. The increase in net bank balances and cash and short-term bank deposits of HK\$300.5 million represented approximately 76.3% of the increase in the Deposit Annual Caps under the 2029 Financial Services Agreement as compared to the Existing Deposit Annual Caps under the 2028 Financial Services Agreement; and
- (iv) given that the interest rates paid by COFCO Finance to the members of the Group are more favourable as compared with those promulgated by PBC or those offered by the major PRC commercial banks, the Group has the incentive to place more deposit with COFCO Finance to increase the return of the idle funds of the Group.

(3) *Our assessment on the Deposit Annual Caps*

In assessing the fairness and reasonableness of the Deposit Annual Caps, we have carried out the following work:

- (i) we have reviewed the utilisation of the Existing Deposit Annual Caps for the Deposit Services and noted that the historical maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance reached approximately RMB155 million for the periods from 14 July 2025 to 13 July 2026, representing full utilisation of the Existing Deposit Annual Caps. As such, the Existing Deposit Annual Caps of RMB155 million are no longer sufficient to accommodate the treasury needs of the Group;
- (ii) we have reviewed the basis of the Deposit Annual Caps and noted that it is determined with reference to the average monthly account balance of the PRC subsidiaries of the Group from January 2023 to June 2026, which ranged from approximately RMB439 million to RMB617 million (the “**Average Monthly Balance**”). The overall average balance of the Average Monthly Balance is approximately RMB500 million (the “**Average Account Balance**”); and

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- (iii) we have reviewed the breakdown of the Average Monthly Balance and noted that the Existing Deposit Annual Cap of RMB155 million only accounts for approximately 31% of the Average Account Balance of RMB500 million. As a result, a significant portion of the Group's idle funds could not be deposited with COFCO Finance and had to be placed with External Banks with lower deposit rates offered.

Having considered all the factors as mentioned above, we are of the view that the Deposit Annual Caps under the 2029 Financial Services Agreement for the three years ending 31 October 2029 are fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Deposit Services are in the Company's ordinary and usual course of business. The terms of the 2029 Financial Services Agreement (relating to the Deposit Services) and the Deposit Annual Caps contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the 2029 Financial Services Agreement (relating to the Deposit Services) and the Deposit Annual Caps, and we recommend the Independent Shareholders to vote in favor of the resolution in this regard.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 24 years of experience in corporate finance advisory.

** For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fshl.com/en/), respectively:

- (i) the annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (pages 76 to 180):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042602034.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2024 published on 25 April 2025 (pages 72 to 176):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0425/2025042501851.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2025 published on 29 April 2026 (pages 83 to 188):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0429/2026042902156.pdf>

- (iv) the interim report of the Company for the six months ended 30 June 2026 published on 4 September 2026 (pages 1 to 27):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0904/2026090400926.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2026, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following indebtedness:

- 1. Unsecured and unguaranteed amounts due to non-controlling shareholders of approximately HK\$19,015,000; and
- 2. Unsecured and unguaranteed lease liabilities of approximately HK\$174,858,000 related to the lease of various factories, staff quarters, offices premises, warehouse and machinery and equipment.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the Enlarged Group's business, the Enlarged Group did not have any other debt securities issued or outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing (including bank overdrafts, liabilities under acceptances, acceptance credits and hire purchase commitment), mortgages or charges, contingent liabilities or guarantees as at 31 August 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this Circular.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group (including but not limited to the existing cash and cash equivalents, the internally generated funds and the existing facilities), and the effects of the Deposit Services contemplated under 2029 Financial Services Agreement and the proposed Acquisition, the Enlarged Group will have sufficient working capital for its business for at least twelve months from the date of this Circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results, and the assets and liabilities of the Target Company will be consolidated into the financial statements of the Enlarged Group.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2026, as extracted from the interim report of the Company for the six months ended 30 June 2026 published on 4 September 2026, were approximately HK\$4,644.4 million and approximately HK\$1,139.9 million respectively. As set out in Appendix III to this circular, assuming the Completion had taken place on 30 June 2026, (i) the pro forma total assets and total liabilities of the Enlarged Group would have increased to approximately HK\$4,694.8 million and approximately HK\$1,143.8 million respectively; and (ii) the pro forma net assets of the Enlarged Group would have increased from approximately HK\$3,504.4 million to approximately HK\$3,551.0 million.

Earnings

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Group will be consolidated into the financial statements of the Enlarged Group. It is expected that the Company will be able to record additional revenue stream from the Target Company upon Completion.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the manufacture and sale of knitted fabrics, dyed yarns and garments, with production facilities primarily located in the PRC and sales to both overseas and domestic customers. For the year ended 31 December 2025, the global economic environment remained complex and volatile. Export markets continued to experience pressure arising from moderated global growth, heightened geopolitical tensions and trade protectionism. In particular, tariff adjustments and policy uncertainties in certain major markets affected customer sentiment and order placement patterns. Domestically, the recovery of consumer demand remained gradual and competition within the textile and garment industry intensified.

For the year ended 31 December 2025, the Group recorded revenue of approximately HK\$4,136.7 million and profit attributable to owners of the Company of approximately HK\$71.3 million. The Group's gross profit increased from approximately HK\$529.4 million in 2024 to approximately HK\$559.4 million in 2025, and its gross profit margin increased from approximately 11.96% to approximately 13.52%.

For the six months ended 30 June 2026, the Group recorded revenue of approximately HK\$1,984.4 million, representing an increase of approximately 2.4% as compared with the corresponding period in 2025. Profit attributable to owners of the Company increased from approximately HK\$30.7 million to approximately HK\$63.8 million, while the gross profit margin increased from approximately 11.7% to approximately 12.7%. The improvement was mainly attributable to the expansion of garment sales, strategic procurement, enhanced production efficiency, lean management and effective cost control. As at 30 June 2026, the Group had net assets of approximately HK\$3,504.4 million, bank balances and cash (including short-term bank deposits) of approximately HK\$1,479.7 million and no outstanding bank borrowings.

Looking ahead to the current financial year ending 31 December 2026, the Group expects that the operating environment will remain challenging. Global economic growth is projected to moderate, and uncertainties arising from geopolitical developments, international trade policies (including tariff measures), exchange rate fluctuations and volatility in raw material and energy prices may continue to affect market demand and profit margins. The pace of recovery in key export markets remains uncertain and subject to macroeconomic conditions and consumer confidence. Domestically, while policy support measures may provide certain stabilising effects, consumption demand is expected to recover gradually and competitive pressures within the industry are likely to persist.

In response to these conditions, the Group will continue to focus on enhancing product competitiveness and value-added capabilities, strengthening cost control and operational efficiency, maintaining prudent financial management and optimising its customer and market mix. The Group will also closely monitor market developments and adjust production planning and procurement strategies as appropriate in order to mitigate the impact of external uncertainties.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is a text of a report, set out on pages II-1 to II-54, received from Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, reporting accountants of the Target Company, for the purpose of incorporation in this circular.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) (ENGLISH NAME: LIAN-TA-HSING COMPANY LIMITED (VIETNAM)) TO THE DIRECTORS OF FOUNTAIN SET (HOLDINGS) LIMITED

Introduction

We report on the historical financial information of Công Ty TNHH Lian-Ta-Hsing (Việt Nam) (English name: Lian-Ta-Hsing Company Limited (Vietnam)) (the “Target Company”) set out on pages II-4 to II-54, which comprises the statements of financial position of the Target Company as at 31 December 2023, 2024 and 2025 and 30 April 2026, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026 (the “Track Record Period”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages II-4 to II-54 forms an integral part of this report, which has been prepared for inclusion in the circular of Fountain Set (Holdings) Limited (the “Company”) dated 5 October 2026 (the “Circular”) in connection with the proposed acquisition of 81% equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Target Company’s financial position as at 31 December 2023, 2024 and 2025 and 30 April 2026, and of the Target Company’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2025 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividend

We refer to Note 11 to the Historical Financial Information which states that no dividends have been declared or paid by the Target Company in respect of the Track Record Period.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 5 October 2026

Chau Fong, Lily

Practising Certificate Number P08090

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

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

The financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with HKFRS Accounting Standards as issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in HK\$'000)

		Year ended 31 December			Four months ended	
		2023	2024	2025	2025	2026
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Revenue	5	41,570	96,651	67,683	17,354	15,868
Cost of sales		(69,176)	(100,666)	(70,633)	(17,143)	(19,674)
Gross (loss)/profit		(27,606)	(4,015)	(2,950)	211	(3,806)
Other income, gains and losses, net	6	(451)	(583)	(793)	(267)	10
Distribution and selling expenses		(56)	(292)	(246)	(23)	(76)
Administrative expenses		(8,581)	(11,670)	(8,623)	(2,437)	(2,957)
Finance costs	7	(890)	(1,468)	(2,013)	(508)	(666)
Loss before income tax		(37,584)	(18,028)	(14,625)	(3,024)	(7,495)
Income tax credit/(expense)	8	4	4	3	(7)	(7)
Loss for the year/period	9	(37,580)	(18,024)	(14,622)	(3,031)	(7,502)
Other comprehensive (expense)/income						
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Exchange difference arising on translation from functional currency to presentation currency		(5,068)	(8,870)	(3,993)	(2,998)	478
Other comprehensive (expense)/income for the year/period		(5,068)	(8,870)	(3,993)	(2,998)	478
Total comprehensive expense for the year/period		(42,648)	(26,894)	(18,615)	(6,029)	(7,024)

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF FINANCIAL POSITION

(Expressed in HK\$'000)

		As at 31 December			As at
		2023	2024	2025	30 April
	Notes	HK\$'000	HK\$'000	HK\$'000	2026
					HK\$'000
Non-current assets					
Property, plant and equipment	13	137,702	118,024	98,591	93,981
Right-of-use assets	14	36,906	33,985	32,144	31,965
Other intangible assets	15	18	–	–	–
Deferred tax assets	16	11	14	17	10
		<u>174,637</u>	<u>152,023</u>	<u>130,752</u>	<u>125,956</u>
Current assets					
Inventories	17	31,241	36,445	32,977	32,469
Trade receivables	18	8,515	20,268	15,176	14,654
Prepayments, deposits and other receivables	19	4,398	5,753	4,825	4,661
Cash and cash equivalents	20	<u>8,768</u>	<u>10,190</u>	<u>6,637</u>	<u>6,543</u>
		<u>52,922</u>	<u>72,656</u>	<u>59,615</u>	<u>58,327</u>
Current liabilities					
Trade payables	21	13,854	15,219	9,787	13,452
Other payables and accruals		959	1,088	1,078	717
Contract liabilities	22	10,014	6,934	5,709	4,905
Lease liabilities – current portion	23	7	7	7	7
Amount due to a related company	32(a)	977	684	913	916
Loans from immediate holding company	32(a)	23,571	26,425	26,527	26,628
Bank borrowings	24	<u>3,741</u>	<u>26,837</u>	<u>17,508</u>	<u>15,885</u>
		<u>53,123</u>	<u>77,194</u>	<u>61,529</u>	<u>62,510</u>
Net current liabilities		<u>(201)</u>	<u>(4,538)</u>	<u>(1,914)</u>	<u>(4,183)</u>
Total assets less current liabilities		<u>174,436</u>	<u>147,485</u>	<u>128,838</u>	<u>121,773</u>
Non-current liability					
Lease liabilities – non-current portion	23	<u>932</u>	<u>875</u>	<u>843</u>	<u>802</u>
Net assets		<u>173,504</u>	<u>146,610</u>	<u>127,995</u>	<u>120,971</u>
Capital and reserves					
Share capital	25	281,127	281,127	281,127	281,127
Reserves		<u>(107,623)</u>	<u>(134,517)</u>	<u>(153,132)</u>	<u>(160,156)</u>
Total equity		<u>173,504</u>	<u>146,610</u>	<u>127,995</u>	<u>120,971</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF CHANGES IN EQUITY

(Expressed in HK\$'000)

	Share capital HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2023	234,218	–	(4,678)	(60,529)	169,011
Loss for the year	–	–	–	(37,580)	(37,580)
Exchange difference arising on translation from functional currency to presentation currency	<u>–</u>	<u>–</u>	<u>(5,068)</u>	<u>–</u>	<u>(5,068)</u>
Total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(5,068)</u>	<u>(37,580)</u>	<u>(42,648)</u>
Capital contribution (Note 25)	<u>46,909</u>	<u>232</u>	<u>–</u>	<u>–</u>	<u>47,141</u>
At 31 December 2023 and 1 January 2024	281,127	232	(9,746)	(98,109)	173,504
Loss for the year	–	–	–	(18,024)	(18,024)
Exchange difference arising on translation from functional currency to presentation currency	<u>–</u>	<u>–</u>	<u>(8,870)</u>	<u>–</u>	<u>(8,870)</u>
Total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(8,870)</u>	<u>(18,024)</u>	<u>(26,894)</u>
At 31 December 2024 and 1 January 2025	281,127	232	(18,616)	(116,133)	146,610
Loss for the year	–	–	–	(14,622)	(14,622)
Exchange difference arising on translation from functional currency to presentation currency	<u>–</u>	<u>–</u>	<u>(3,993)</u>	<u>–</u>	<u>(3,993)</u>
Total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(3,993)</u>	<u>(14,622)</u>	<u>(18,615)</u>
At 31 December 2025	<u><u>281,127</u></u>	<u><u>232</u></u>	<u><u>(22,609)</u></u>	<u><u>(130,755)</u></u>	<u><u>127,995</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2025	281,127	232	(18,616)	(116,133)	146,610
Loss for the period (unaudited)	–	–	–	(3,031)	(3,031)
Exchange difference arising on translation from functional currency to presentation currency (unaudited)	<u>–</u>	<u>–</u>	<u>(2,998)</u>	<u>–</u>	<u>(2,998)</u>
Total comprehensive expense for the period (unaudited)	<u>–</u>	<u>–</u>	<u>(2,998)</u>	<u>(3,031)</u>	<u>(6,029)</u>
At 30 April 2025 (unaudited)	<u><u>281,127</u></u>	<u><u>232</u></u>	<u><u>(21,614)</u></u>	<u><u>(119,164)</u></u>	<u><u>140,581</u></u>
At 1 January 2026	281,127	232	(22,609)	(130,755)	127,995
Loss for the period	–	–	–	(7,502)	(7,502)
Exchange difference arising on translation from functional currency to presentation currency	<u>–</u>	<u>–</u>	<u>478</u>	<u>–</u>	<u>478</u>
Total comprehensive income/(expense) for the period	<u>–</u>	<u>–</u>	<u>478</u>	<u>(7,502)</u>	<u>(7,024)</u>
At 30 April 2026	<u><u>281,127</u></u>	<u><u>232</u></u>	<u><u>(22,131)</u></u>	<u><u>(138,257)</u></u>	<u><u>120,971</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF CASH FLOWS

(Expressed in HK\$'000)

		Year ended 31 December			Four months ended 30 April	
		2023	2024	2025	2025	2026
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Operating activities						
Loss before income tax		(37,584)	(18,028)	(14,625)	(3,024)	(7,495)
Adjustments for:						
Depreciation of property, plant and equipment	9	17,595	16,862	15,866	4,043	5,049
Impairment of property, plant and equipment	9	–	–	602	–	10
Depreciation of right-of-use assets	9	994	955	906	302	302
Amortisation of other intangible assets	9	193	18	–	–	–
Exchange (gains)/losses, net		(44)	1,054	824	(80)	241
Finance costs		890	1,468	2,013	508	666
Interest income	6	(199)	(4)	(9)	(3)	(3)
Operating (loss)/profit before working capital changes		(18,155)	2,325	5,577	1,746	(1,230)
Decrease/(increase) in inventories		9,454	(7,088)	2,471	(2,244)	633
Decrease/(increase) in trade receivables		153	(12,562)	4,549	4,334	579
Decrease/(increase) in prepayments, deposits and other receivables		5,881	(1,638)	772	185	73
(Decrease)/increase in trade payables		(5,761)	2,173	(5,031)	(4,201)	3,622
(Decrease)/increase in other payables and accruals		(6,179)	(1,128)	(65)	140	(364)
Increase/(decrease) in contract liabilities		511	(2,611)	(1,038)	1,437	(824)
(Decrease)/increase in amount due to a related company		–	(247)	248	(202)	–
Net cash (used in)/generated from operating activities		<u>(14,096)</u>	<u>(20,776)</u>	<u>7,483</u>	<u>1,195</u>	<u>2,489</u>
Investing activities						
Purchase of property, plant and equipment		(181)	(2,957)	(135)	(33)	(10)
Release of time deposits		1,786	–	–	–	–
Interest received		199	4	9	3	3
Net cash generated from/(used in) investing activities		<u>1,804</u>	<u>(2,953)</u>	<u>(126)</u>	<u>(30)</u>	<u>(7)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Financing activities					
Drawdown on bank borrowings	20,731	46,329	48,594	16,928	10,151
Repayment of bank borrowings	(27,416)	(22,830)	(57,214)	(19,957)	(11,838)
Loans advanced from immediate holding company	23,523	23,569	–	–	–
Loans repaid to immediate holding company	(1,933)	(19,915)	–	–	–
Repayment of principal portion of lease liabilities	(7)	(7)	(7)	(7)	(7)
Interest paid	(890)	(1,468)	(2,013)	(508)	(666)
Net cash generated from/(used in) financing activities	<u>14,008</u>	<u>25,678</u>	<u>(10,640)</u>	<u>(3,544)</u>	<u>(2,360)</u>
Net increase/(decrease) in cash and cash equivalents	1,716	1,949	(3,283)	(2,379)	122
Cash and cash equivalents at beginning of the year/period	6,855	8,768	10,190	10,190	6,637
Effect of exchange rate changes on cash and cash equivalents	<u>197</u>	<u>(527)</u>	<u>(270)</u>	<u>(195)</u>	<u>(216)</u>
Cash and cash equivalents at the end of the year/period	<u><u>8,768</u></u>	<u><u>10,190</u></u>	<u><u>6,637</u></u>	<u><u>7,616</u></u>	<u><u>6,543</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General Information

The Target Company is a company with limited liability incorporated under the laws of Vietnam on 30 August 2016. The addresses of the registered office and the principal place of business of the Target Company are Lot 45-1, N15 Road, Phuoc Dong Industrial Zone, Phuoc Dong Commune, Huyện Gò Dầu, Tay Ninh Province, Vietnam.

The Target Company is principally engaged in the business of knitting, dyeing and sales of knitted fabrics.

The functional currency of the Target Company is Vietnamese Dong (“VND”), the currency of the primary economic environment in which the Target Company operates. The Historical Financial Information is presented in Hong Kong dollars (“HK\$”) as the directors of the Target Company consider that Hong Kong dollars are preferable in presenting the operating and financial position of the Target Company for inclusion in the Circular.

The directors of the Target Company consider the immediate parent and ultimate controlling party to be Lian-Ta-Hsing International Co., Ltd., a company established in the Republic of Seychelles.

2 Application of new and amendments to HKFRS Accounting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Company has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2026 throughout the Track Record Period.

New and amendments to HKFRS Accounting Standards issued but not yet effective

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

HKFRS 18	Presentation and Disclosure in Financial Statements ¹
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures ¹
HKFRS 20	Regulatory Assets and Regulatory Liabilities ²
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ¹
Amendments to HKAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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

² Effective for annual periods beginning on or after 1 January 2029.

³ Effective for annual periods beginning on or after a date to be determined.

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

HKFRS 18 “Presentation and Disclosure in Financial Statements” (“HKFRS 18”)

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 “Presentation of Financial Statements”. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss, provides disclosures on management-defined performance measures in the notes to the financial statements and improves aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

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

3 Basis of preparation of Historical Financial Information and material accounting policy information

(a) Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The statutory financial statements of the Target Company for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Vietnamese Accounting Standards and were audited by Tri Thuc Viet Company Limited, an independent audit firm in Vietnam.

As at 30 April 2026, the Target Company's current liabilities exceeded current assets by HK\$4,183,000, which gives rise to uncertainty regarding its ability to continue as a going concern. Its current liabilities consist primarily of loans from its immediate holding company of HK\$26,628,000. As detailed in Note 33, subsequent to the end of the reporting period, the Target Company entered into an asset divestment agreement on 27 July 2026, pursuant to which the loans due to its immediate holding company were fully settled. In light of the successful settlement of the balance, the directors of the Target Company are satisfied that the Target Company will have sufficient financial resources to continue as a going concern. Accordingly, the Historical Financial Information for the Track Record Period has been prepared on a going concern basis.

(b) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Property, plant and equipment (other than construction in progress) are depreciated so as to write off their cost net of expected residual values over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period. The useful lives are as follows:

Buildings	5-25 years
Plant and machinery	5-10 years
Equipment	3-6 years
Motor vehicles	5-10 years

Construction in progress is stated at cost less any recognised impairment loss. Costs include any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Property, plant and equipment are tested for impairment by comparing their carrying amounts with their recoverable amounts.

(c) Leases

As a lessee

All leases are required to be capitalised in the statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low value. The Target Company has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months and do not contain a purchase option. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentive received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Target Company measures the right-of-use assets applying a cost model. Under the cost model, the Target Company measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. They are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Target Company presents right-of-use assets as a separate line in the statements of financial position.

The Target Company applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company has leased a number of properties under tenancy agreements which the Target Company exercises its judgement and determines that it is a separate class of assets apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

When the Target Company obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost the relevant right-of-use assets and the related accumulated depreciation are transferred to property, plant and equipment.

Right-of-use assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Company uses the Target Company's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed payments less any lease incentives receivables;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Subsequent to the commencement date, the Target Company measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

(d) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

(e) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	Shorter of 3 years or period of the contract term
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Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

(f) Financial instruments

Financial assets

Financial assets are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gains or losses on derecognition are recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The Target Company recognises loss allowances for expected credit loss (“ECL”) on trade receivables, deposits and other receivables measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

Impairment loss on financial assets

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Company has established a provision matrix that is based on the Target Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment except for individual assessment on credit-impaired trade receivables.

For other financial assets of the Target Company, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and informed credit assessment and including forward-looking information.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Despite the foregoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Target Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

The Target Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Company in full, without recourse by the Target Company to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Target Company has reasonable and supportable information demonstrate that a more lagging default criterion is more appropriate.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

If the Target Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Target Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Interest income on non credit-impaired financial assets is calculated based on the gross carrying amount. Interest income is recognised in profit or loss and is included in the "Other income, gains and losses, net" line item (Note 6).

Financial liabilities

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities at amortised cost including trade payables, other payables and accruals, bank borrowings and loan from immediate holding company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Derecognition

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(g) Cash and cash equivalents

In the statements of financial position, bank balances and cash comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Target Company is subject to third party contractual restriction are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

For the purpose of the statements of cash flows, cash and cash equivalents comprise short-term bank deposits, bank balances and cash which are not restricted as to use.

(h) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

(i) Impairment of non-current assets (other than financial assets)

At the end of the reporting period, the Target Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exist or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- other intangible assets.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit for which the estimates of future cash flows have not been adjusted.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

(j) Revenue from contracts with customers

Information about the Target Company's accounting policies relating to contracts with customers is provided in Note 5.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(k) Contract liabilities

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

A contract liability is recognised when the customer pays consideration before the Target Company recognises the related revenue.

(l) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(m) Income taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary difference arising on investments in subsidiaries and an associate, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow or part of the asset to be recovered.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Target Company recognises the right-of-use assets and the related lease liabilities, the Target Company first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Company applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Target Company recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(n) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

For the purposes of presenting the Historical Financial Information, income and expense items of foreign operations are translated into the presentation currency of the Target Company (i.e. Hong Kong dollars) at the average exchange rates for the year/period. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Company's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

(o) *Employee benefits*

(i) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year/period when the employees render the related service.

(ii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs involving the payment of termination benefits.

(p) *Related parties*

(a) A person or a close member of that person's family is related to the Target Company if that person:

- (i) has control or joint control over the Target Company;
- (ii) has significant influence over the Target Company; or
- (iii) is a member of key management personnel of the Target Company or the Target Company's parent.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

- (b) An entity is related to the Target Company if any of the following conditions apply:
- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependent of that person or that person's spouse or domestic partner.

4 Key sources of estimation uncertainty

The key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, right-of-use assets and other intangible assets comprise a significant portion of the Target Company's total assets. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use calculations as appropriate. To determine the recoverable amount based on fair value less costs of disposal, the Target Company obtained quoted market prices when available or used independent appraisals. To determine the recoverable amount based on value-in-use calculations, the Target Company used cash flow projection discounted at an appropriate pre-tax discount rate. The pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement. The cash flow projection also requires the use of judgement and estimation regarding the financial forecasts prepared by the management with major assumptions. The management derives the required cash flow projection from historical results, internal business plans, the prevailing market conditions and the expected remaining useful lives of the relevant assets. Changes to major assumptions and estimation could affect the fair value less costs of disposal and value-in-use calculations and as a result affecting the Target Company's reported financial condition and results of operations.

If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In assessing the net realisable value and making appropriate allowances, the management considers their physical conditions, age, market conditions and market price for similar items. Those charged with governance reassess these estimates at the end of each reporting period. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period is recognised as an increase or a decrease of cost of goods sold in the period.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

5 Revenue and segment information

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December			Four months ended	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Type of goods:					
Sales of knitted fabrics	<u>41,570</u>	<u>96,651</u>	<u>67,683</u>	<u>17,354</u>	<u>15,868</u>
Geographical market					
Vietnam	21,361	48,447	51,940	13,318	13,725
Taiwan	12,441	24,750	3,616	927	472
Hong Kong	7,768	23,454	12,122	3,108	1,671
Others	<u>—</u>	<u>—</u>	<u>5</u>	<u>1</u>	<u>—</u>
	<u>41,570</u>	<u>96,651</u>	<u>67,683</u>	<u>17,354</u>	<u>15,868</u>
Timing of revenue recognition:					
At a point in time	<u>41,570</u>	<u>96,651</u>	<u>67,683</u>	<u>17,354</u>	<u>15,868</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of knitted fabrics

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accept the goods. There is generally only one performance obligation. Invoices are usually payable within 30 days to 180 days. Some of the Target Company's contracts with customers from the sale of goods provide customers with a right of return, i.e., a right to exchange for another product. These rights of return do not allow the returned goods to be refunded in cash. Target Company receives certain percentage of the contract sum as advance payment from the customers upon signing the sales contracts and is included in contract liabilities.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(iii) Transaction price allocated to the remaining performance obligations for contracts with the customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each reporting period, thus the Target Company applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

(iv) Segment information

Information reported to the directors of the Target Company, being the chief operating decision makers, for the purposes of resource allocation and assessment focuses on revenue analysis by type of goods. No other discrete financial information is provided other than the Target Company's results and financial position as a whole. Accordingly, no further analysis is presented.

Geographical information

The geographical areas of location of customers are disclosed above in Note 5(i). All of the Target Company's non-current assets (excluding deferred tax assets) as at 31 December 2023, 2024 and 2025 and 30 April 2026 are located in Vietnam based on the geographical location of the assets.

Information about major customers

Revenue from external customers contributing over 10% to the total revenue of the Target Company during the Track Record Period is as follows:

	Year ended 31 December			Four months ended	
				30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer A	20,256	45,472	49,877	16,861	13,675
Customer B (Note)	<u>–</u>	<u>13,403</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note: Revenue from customer B for the year ended 31 December 2023, 31 December 2025 and the four months ended 30 April 2025 and 30 April 2026 did not contribute over 10% of the total revenue of the Target Company.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

6 Other income, gains and losses, net

	Year ended 31 December			Four months ended	
	2023	2024	2025	30 April 2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest income	199	4	9	3	3
Exchange (losses)/gains, net	(695)	(945)	(854)	(285)	7
Others	45	358	52	15	–
	<u>(451)</u>	<u>(583)</u>	<u>(793)</u>	<u>(267)</u>	<u>10</u>

7 Finance costs

	Year ended 31 December			Four months ended	
	2023	2024	2025	30 April 2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Finance costs on:					
Bank borrowings	672	1,409	1,958	490	648
Loans from immediate holding company	157	–	–	–	–
Lease liabilities	61	59	55	18	18
	<u>890</u>	<u>1,468</u>	<u>2,013</u>	<u>508</u>	<u>666</u>

8 Income tax (credit)/expense

	Year ended 31 December			Four months ended	
	2023	2024	2025	30 April 2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Deferred tax (Note 16)	<u>(4)</u>	<u>(4)</u>	<u>(3)</u>	<u>7</u>	<u>7</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Under the Law of Foreign Investment of 1996, as amended in 2000 and 2014 in Vietnam, the Company received preferential Corporate Income Tax (“CIT”) rates at 8.5% during the years ended 31 December 2023, 2024 and 2025, and 17% during the four months ended 30 April 2026. No provision for Vietnam CIT has been made as the Target Company had no assessable profit generated in Vietnam for the Track Record Period.

The income tax (credit)/expense for the year/period can be reconciled to the loss before income tax per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Loss before income tax	<u>(37,584)</u>	<u>(18,028)</u>	<u>(14,625)</u>	<u>(3,024)</u>	<u>(7,495)</u>
Tax at domestic rates applicable to profits or losses in the jurisdiction concerned	(3,194)	(1,532)	(1,363)	(256)	(1,274)
Tax effect of expenses not deductible for tax purpose	375	426	444	144	279
Tax effect of tax losses not recognised	<u>2,815</u>	<u>1,102</u>	<u>916</u>	<u>119</u>	<u>1,002</u>
Income tax (credit)/expense	<u>(4)</u>	<u>(4)</u>	<u>(3)</u>	<u>7</u>	<u>7</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

9 Loss for the year/period

Loss for the year/period has been arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Employee costs (including directors' emoluments):					
Salaries, allowance and other benefits	10,183	16,668	13,411	3,887	4,600
Retirement benefits scheme contribution	<u>601</u>	<u>688</u>	<u>609</u>	<u>212</u>	<u>149</u>
	<u>10,784</u>	<u>17,356</u>	<u>14,020</u>	<u>4,099</u>	<u>4,749</u>
Auditors' remuneration	12	12	12	4	4
Depreciation of property, plant and equipment	17,595	16,862	15,866	4,043	5,049
Depreciation of right-of-use assets	994	955	906	302	302
Amortisation of other intangible assets	193	18	–	–	–
Impairment of property, plant and equipment	<u>–</u>	<u>–</u>	<u>602</u>	<u>–</u>	<u>10</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

10 Directors' emoluments and five highest paid individuals

Directors' emoluments

Directors' emoluments during the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December			Four months ended	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Fees	–	–	–	–	–
Other emoluments					
Salaries and other benefits	72	90	88	29	30
Discretionary bonuses	–	–	–	–	–
Retirement benefits scheme contribution	13	12	12	4	3
	<u>85</u>	<u>102</u>	<u>100</u>	<u>33</u>	<u>33</u>

Five highest paid individuals

The five highest paid individuals of the Target Company do not include any of the above directors of the Target Company for the Track Record Period. Details of the remuneration for the five highest paid individuals of the Target Company for the Track Record Period are as follows:

	Year ended 31 December			Four months ended	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Salaries and other benefits	811	833	831	277	277
Retirement benefits scheme contribution	49	34	34	11	11
	<u>860</u>	<u>867</u>	<u>865</u>	<u>288</u>	<u>288</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The number of the highest paid individuals who are not the directors of the Target Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended	
				30 April	
	2023	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Target Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of the directors of the Target Company waived or agreed to waive any emoluments during the Track Record Period.

11 Dividend

No dividend has been declared or paid by the Target Company in respect of the Track Record Period.

12 Loss per share

No loss per share is presented for the purpose of this report as its inclusion is not considered meaningful.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

13 Property, plant and equipment

	Buildings HK\$'000	Equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture and fixture HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2023	82,480	2,428	73,751	31,065	2,366	668	192,758
Additions	6,480	–	13	–	8	–	6,501
Currency realignment	(2,137)	(61)	(1,838)	(774)	(59)	(16)	(4,885)
At 31 December 2023 and 1 January 2024	86,823	2,367	71,926	30,291	2,315	652	194,374
Additions	891	9	3,172	–	200	–	4,272
Disposal	–	–	–	–	(1,718)	–	(1,718)
Currency realignment	(4,713)	(127)	(3,972)	(1,636)	(83)	(36)	(10,567)
At 31 December 2024 and 1 January 2025	83,001	2,249	71,126	28,655	714	616	186,361
Additions	33	–	97	–	81	10	221
Disposal	–	–	–	–	(293)	–	(293)
Transfer	9	(9)	–	–	–	–	–
Currency realignment	(2,289)	(62)	(1,962)	(791)	(19)	(7)	(5,130)
At 31 December 2025 and 1 January 2026	80,754	2,178	69,261	27,864	483	619	181,159
Additions	–	–	20	–	62	–	82
Transfer	10	–	–	–	–	(10)	–
Currency realignment	307	8	264	106	2	3	690
At 30 April 2026	81,071	2,186	69,545	27,970	547	612	181,931
Depreciation and impairment							
At 1 January 2023	9,112	1,190	15,766	12,647	1,588	–	40,303
Depreciation for the year	3,809	454	7,607	5,110	615	–	17,595
Currency realignment	(275)	(36)	(488)	(380)	(47)	–	(1,226)
At 31 December 2023 and 1 January 2024	12,646	1,608	22,885	17,377	2,156	–	56,672
Depreciation for the year	3,828	392	7,582	4,909	151	–	16,862
Written back on disposal	–	–	–	–	(1,718)	–	(1,718)
Currency realignment	(789)	(97)	(1,446)	(1,075)	(72)	–	(3,479)
At 31 December 2024 and 1 January 2025	15,685	1,903	29,021	21,211	517	–	68,337
Depreciation for the year	3,664	201	7,293	4,658	50	–	15,866
Written back on disposal	–	–	–	–	(293)	–	(293)
Impairment for the year	–	–	–	–	–	602	602
Currency realignment	(444)	(53)	(828)	(602)	(14)	(3)	(1,944)
At 31 December 2025 and 1 January 2026	18,905	2,051	35,486	25,267	260	599	82,568
Depreciation for the period	1,221	46	2,353	1,316	113	–	5,049
Impairment for the period	–	–	–	–	–	10	10
Currency realignment	72	8	140	99	1	3	323
At 30 April 2026	20,198	2,105	37,979	26,682	374	612	87,950
Carrying values							
At 31 December 2023	74,177	759	49,041	12,914	159	652	137,702
At 31 December 2024	67,316	346	42,105	7,444	197	616	118,024
At 31 December 2025	61,849	127	33,775	2,597	223	20	98,591
At 30 April 2026	60,873	81	31,566	1,288	173	–	93,981

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

At 31 December 2023, 2024, 2025 and 30 April 2026, certain property, plant and equipment with an aggregate carrying amount of HK\$74,177,000, HK\$67,316,000, HK\$61,849,000 and HK\$60,873,000 were pledged to secure certain bank borrowings granted to the Target Company (Note 30).

14 Right-of-use assets

	Land and buildings	Machinery	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost			
At 1 January 2023	982	39,887	40,869
Currency realignment	<u>(24)</u>	<u>(994)</u>	<u>(1,018)</u>
At 31 December 2023 and 1 January 2024	958	38,893	39,851
Currency realignment	<u>(52)</u>	<u>(2,100)</u>	<u>(2,152)</u>
At 31 December 2024 and 1 January 2025	906	36,793	37,699
Currency realignment	<u>(25)</u>	<u>(1,015)</u>	<u>(1,040)</u>
At 31 December 2025 and 1 January 2026	881	35,778	36,659
Currency realignment	<u>3</u>	<u>137</u>	<u>140</u>
At 30 April 2026	<u>884</u>	<u>35,915</u>	<u>36,799</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

	Land and buildings <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation and impairment			
At 1 January 2023	52	1,962	2,014
Provided for the year	26	968	994
Currency realignment	<u>(2)</u>	<u>(61)</u>	<u>(63)</u>
At 31 December 2023 and 1 January 2024	76	2,869	2,945
Provided for the year	24	931	955
Currency realignment	<u>(5)</u>	<u>(181)</u>	<u>(186)</u>
At 31 December 2024 and 1 January 2025	95	3,619	3,714
Provided for the year	23	883	906
Currency realignment	<u>(2)</u>	<u>(103)</u>	<u>(105)</u>
At 31 December 2025 and 1 January 2026	116	4,399	4,515
Provided for the period	8	294	302
Currency realignment	<u>–</u>	<u>17</u>	<u>17</u>
At 30 April 2026	<u>124</u>	<u>4,710</u>	<u>4,834</u>
Carrying values			
At 31 December 2023	<u>882</u>	<u>36,024</u>	<u>36,906</u>
At 31 December 2024	<u>811</u>	<u>33,174</u>	<u>33,985</u>
At 31 December 2025	<u>765</u>	<u>31,379</u>	<u>32,144</u>
At 30 April 2026	<u>760</u>	<u>31,205</u>	<u>31,965</u>

At 31 December 2023, 2024, 2025 and 30 April 2026, certain right-of-use assets with aggregate carrying amount of HK\$36,906,000, HK\$33,985,000, HK\$32,144,000 and HK\$31,965,000 were pledged to secure certain bank borrowings granted to the Target Company (Note 30).

Lump sum payment was made upfront to acquire the rights-of-use of certain machinery on the leased land, and certain ongoing payments will be made under the terms of the land lease contract.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

15 Other intangible assets

	Software <i>HK\$'000</i>
Cost	
At 1 January 2023	672
Currency realignment	<u>(17)</u>
At 31 December 2023 and 1 January 2024	655
Currency realignment	<u>(35)</u>
At 31 December 2024 and 1 January 2025	620
Currency realignment	<u>(18)</u>
At 31 December 2025 and 1 January 2026	602
Currency realignment	<u>3</u>
At 30 April 2026	<u>605</u>
Accumulated amortisation	
At 1 January 2023	457
Provided for the year	193
Currency realignment	<u>(13)</u>
At 31 December 2023 and 1 January 2024	637
Provided for the year	18
Currency realignment	<u>(35)</u>
At 31 December 2024 and 1 January 2025	620
Currency realignment	<u>(18)</u>
At 31 December 2025 and 1 January 2026	602
Currency realignment	<u>3</u>
At 30 April 2026	<u>605</u>
Carrying values	
At 31 December 2023	<u><u>18</u></u>
At 31 December 2024	<u><u>–</u></u>
At 31 December 2025	<u><u>–</u></u>
At 30 April 2026	<u><u>–</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

16 Deferred tax assets

For the purposes of presentation in the statements of financial position, certain deferred tax assets and liabilities of the same taxable entity have been offset. The following is an analysis of the deferred tax balances for reporting purposes:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
Deferred tax assets	187	176	170	162
Deferred tax liabilities	<u>(176)</u>	<u>(162)</u>	<u>(153)</u>	<u>(152)</u>
	<u>11</u>	<u>14</u>	<u>17</u>	<u>10</u>

The major deferred tax assets/(liabilities) recognised by the Target Company and movements thereon during the Track Record Period are as follows:

	Right-of-use assets	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	(186)	194	8
Credited/(charged) to profit or loss	5	(1)	4
Currency realignment	<u>5</u>	<u>(6)</u>	<u>(1)</u>
At 31 December 2023 and 1 January 2024	(176)	187	11
Credited/(charged) to profit or loss	5	(1)	4
Currency realignment	<u>9</u>	<u>(10)</u>	<u>(1)</u>
At 31 December 2024 and 1 January 2025	(162)	176	14
Credited/(charged) to profit or loss	5	(2)	3
Currency realignment	<u>4</u>	<u>(4)</u>	<u>–</u>
At 31 December 2025 and 1 January 2026	(153)	170	17
Credited/(charged) to profit or loss	2	(9)	(7)
Currency realignment	<u>(1)</u>	<u>1</u>	<u>–</u>
At 30 April 2026	<u>(152)</u>	<u>162</u>	<u>10</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

As at 31 December 2023, 2024, 2025 and 30 April 2026, no deferred tax asset has been recognised in respect of the cumulative tax losses of HK\$83,510,000, HK\$90,390,000, HK\$90,811,000 and HK\$96,951,000, as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses would expire within 5 years under current tax legislation.

17 Inventories

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	14,218	8,660	6,949	10,052
Work-in-progress	5,599	9,546	8,313	6,238
Finished goods	11,424	18,239	17,715	16,179
	<u>31,241</u>	<u>36,445</u>	<u>32,977</u>	<u>32,469</u>

18 Trade receivables

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>8,515</u>	<u>20,268</u>	<u>15,176</u>	<u>14,654</u>

The Target Company normally allows a credit period of 30 days to 180 days to its trade customers.

The following is an ageing analysis of trade receivables based on the invoice dates, which approximate the respective revenue recognition dates, as at the end of each reporting period:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	5,598	13,678	10,375	10,050
1 to 2 months	1,598	3,907	2,963	2,871
2 to 3 months	799	1,953	1,481	1,435
Over 3 months	<u>520</u>	<u>730</u>	<u>357</u>	<u>298</u>
	<u>8,515</u>	<u>20,268</u>	<u>15,176</u>	<u>14,654</u>

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Before accepting any new customer, the Target Company assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

The Target Company does not hold any collateral over the trade receivables.

The Target Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Further details on the Target Company's credit policy and credit risk arising from trade receivables are set out in Note 27(b).

At 31 December 2023, 2024, 2025 and 30 April 2026, certain trade receivables with an aggregate carrying amount of HK\$8,515,000, HK\$20,268,000, HK\$15,176,000 and HK\$14,654,000 were pledged to secure certain bank loans granted to the Target Company (Note 30).

19 Prepayments, deposits and other receivables

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Value-added tax recoverable	4,394	5,104	4,388	4,648
Prepayments, deposits and other receivables	<u>4</u>	<u>649</u>	<u>437</u>	<u>13</u>
	<u>4,398</u>	<u>5,753</u>	<u>4,825</u>	<u>4,661</u>

20 Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term bank deposits for the purpose of meeting the Target Company's short-term cash commitments, which carry interest at market rates ranging from 1.03%, 0.04%, 0.12% and 0.03% per annum as of 31 December 2023, 2024 and 2025 and 30 April 2026, respectively.

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21 Trade payables

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	<u>13,854</u>	<u>15,219</u>	<u>9,787</u>	<u>13,452</u>

The credit period on purchase of goods is 60 days to 90 days. The following is an ageing analysis of trade payables based on the invoice dates, as at the end of each reporting period:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	8,679	9,932	5,644	8,214
1 to 2 months	2,758	3,032	1,872	2,607
2 to 3 months	1,379	1,516	936	1,303
Over 3 months	<u>1,038</u>	<u>739</u>	<u>1,335</u>	<u>1,328</u>
	<u>13,854</u>	<u>15,219</u>	<u>9,787</u>	<u>13,452</u>

22 Contract liabilities

The Target Company has recognised the following revenue-related contract liabilities:

	At 31 December			At 30 April
	2023	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract liabilities	<u>10,014</u>	<u>6,934</u>	<u>5,709</u>	<u>4,905</u>

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Movements in contract liabilities:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
At 1 January	10,754	10,014	6,934	5,709
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(985)	(3,154)	(6,257)	(853)
Increase in contract liabilities as a result of advanced consideration received from customers	507	542	5,219	29
Currency realignment	(262)	(468)	(187)	20
At 31 December	<u>10,014</u>	<u>6,934</u>	<u>5,709</u>	<u>4,905</u>

23 Lease liabilities

Lease liabilities payable:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
Within 1 year	7	7	7	7
After 1 year but within 2 years	7	7	7	7
After 2 years but within 5 years	25	26	27	27
After 5 years	<u>900</u>	<u>842</u>	<u>809</u>	<u>768</u>
	939	882	850	809
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>
Amount due for settlement after 12 months	<u>932</u>	<u>875</u>	<u>843</u>	<u>802</u>

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	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
Total cash outflows for leases (including payments of principal and interest portions of lease liabilities and short-term leases)	<u>68</u>	<u>65</u>	<u>62</u>	<u>25</u>

The incremental borrowing rate applied to lease liabilities was 6.70% per annum as of 31 December 2023, 2024 and 2025 and 30 April 2026.

24 Bank borrowings

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
Secured:				
Bank borrowings	<u>3,741</u>	<u>26,837</u>	<u>17,508</u>	<u>15,885</u>
Repayable:				
Within one year	<u>3,741</u>	<u>26,837</u>	<u>17,508</u>	<u>15,885</u>

As at 31 December 2023, 2024, 2025 and 30 April 2026, the bank borrowings were interest-bearing at Vietnam Interbank Offered Rate (“VNIBOR”) plus a spread of 3.2% per annum, VNIBOR plus a spread ranging from 3.2% to 3.5% per annum, VNIBOR plus a spread ranging from 3.2% to 3.5% per annum and VNIBOR plus a spread ranging from 3.2% to 3.5% per annum, respectively.

As at 31 December 2023, 2024, 2025 and 30 April 2026, the bank borrowings of the Target Company are secured by certain assets (see Note 30 for details) and guaranteed by three individual shareholders of the Target Company’s ultimate controlling party.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

25 Share capital

Details of movement of the share capital of the Target Company are as follows:

	Number of shares	HK\$'000
Paid-in capital		
At 1 January 2023	30,000,000	234,218
Capital contribution (<i>Note</i>)	<u>6,000,000</u>	<u>46,909</u>
At 31 December 2023, 31 December 2024, 31 December 2025, and 30 April 2026	<u>36,000,000</u>	<u>281,127</u>

Note:

During the year ended 31 December 2023, loans from immediate holding company of VND142,260,000,000 (equivalent to HK\$47,141,000) were converted to capital contribution, of which VND141,540,000,000 (equivalent to HK\$46,909,000) were registered as paid-up capital of the Target Company and the remaining amount of VND720,000,000 (equivalent to HK\$232,000) were accounted for as capital reserve.

26 Capital risk management

The directors of the Target Company manage its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged from prior periods.

The capital structure of the Target Company consists of debts, which include the bank borrowings and loans from immediate holding company as disclosed in Note 24 and 32(a), respectively, and share capital and reserve as stated in the statements of financial position.

The directors of the Target Company review the capital structure on an on-going basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Target Company, the Target Company may balance its overall capital structure through the issue of new debts and the redemption of existing debts.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

27 Financial instruments

(a) Categories of financial instruments

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
Financial assets				
Financial assets measured at amortised cost				
(including cash and cash equivalents)	<u>21,836</u>	<u>35,759</u>	<u>26,425</u>	<u>26,018</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>43,082</u>	<u>70,047</u>	<u>55,585</u>	<u>57,691</u>

(b) Financial risk management objectives and policies

The major financial instruments of the Target Company include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, amount due to a related company, loans from immediate holding company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Target Company's functional currency is VND. The Target Company is not exposed to significant foreign currency risk as revenue and expenditure giving rise to receivables, payables and cash balances are denominated in its functional currency.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(ii) Interest rate risk

The Target Company is mainly exposed to cash flow interest rate risk primarily in relation to variable-rate bank balances and borrowings. It is the Target Company's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Target Company's cash flow interest rate risk is mainly concentrated on the fluctuation of VNIBOR arising from the Target Company's variable-rate bank borrowings. In view of the frequent changes in market interest rate, the Target Company shall monitor the interest rate fluctuation closely and arrange appropriate financial instruments to minimise the interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings only as the directors of the Target Company consider the exposure of cash flow interest rate risk arising from variable-rate bank balances is not significant at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 (2024: 50) basis points increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the variable-rate bank borrowings, as at 31 December 2023, 2024 and 2025 and 30 April 2026, if interest rate had been 50 basis points higher/lower and all other variables were held constant, the Target Company's post-tax loss for the year/period would increase/decrease by HK\$17,000, HK\$123,000, HK\$80,000 and HK\$66,000, respectively.

Credit risk

Credit risk refers to the risk that the Target Company's counterparties default on their contractual obligations resulting in financial losses to the Target Company. As at 31 December 2023, 2024, 2025 and 30 April 2026, the maximum exposure to credit risk by the Target Company without taking into account any collateral held or other credit enhancements, which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the statements of financial position.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

In order to manage the credit risk, management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are only made to customers with good credit quality and repayment history. In addition, the Target Company regularly reviews the recoverable amount of debt on both collective and individual basis to ensure that adequate impairment losses are made for irrecoverable amounts. In response to the global economic uncertainty, management has also been performing more frequent reviews of credit limits for customers in regions and industries that are severely impacted. During the four months ended 30 April 2026, no impairment loss in respect of the trade receivables during the Track Record Period was recognised.

For trade receivables, the Target Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables that are credit-impaired which are assessed individually and legal action has been taken by the Target Company to demand for repayment, the Target Company determines the ECL on the trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of the assets that are not credit-impaired is presented based on their past due status in terms of the provision matrix.

As the Target Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past default experience of the debtor, adjusted for forward-looking factors specific to the debtor and the economic environment is not further distinguished between the Target Company's different customer bases.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Target Company's view of economic conditions over the expected lives of the receivables.

For other non-trade related receivables, the Target Company has assessed whether there has been a significant increase in credit risk since initial recognition. The Target Company considers that there is no significant increase in credit risk of these amounts since initial recognition and the Target Company provided impairment based on 12-month ECL.

The credit risk on liquid funds of the Target Company is limited because the counterparties are banks with high credit ratings assigned by reputable credit-rating agencies.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Target Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. During the Track Record Period, the Company has a concentration of credit risk as a majority of the total trade receivable was due from an individual customer.

Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The following tables detail the Target Company's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Target Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest is floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate	Less than 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying Amount
At 31 December 2023	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	13,854	–	–	–	13,854	13,854
Other payables and accruals	N/A	959	–	–	–	959	959
	4.32% –						
Bank borrowings	7.76%	3,741	–	–	–	3,741	3,741
Loans from immediate holding company	N/A	23,571	–	–	–	23,571	23,571
Amount due to a related company	N/A	977	–	–	–	977	977
Lease liabilities	6.70%	67	67	202	2,015	2,351	939
Total		43,169	67	202	2,015	45,453	44,041

	Weighted average effective interest rate	Less than 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying Amount
At 31 December 2024	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	15,219	–	–	–	15,219	15,219
Other payables and accruals	N/A	1,088	–	–	–	1,088	1,088
	6.30% –						
Bank borrowings	8.70%	26,837	–	–	–	26,837	26,837
Loans from immediate holding company	N/A	26,425	–	–	–	26,425	26,425
Amount due to a related company	N/A	684	–	–	–	684	684
Lease liabilities	6.70%	64	64	191	1,842	2,161	882
Total		70,317	64	191	1,842	72,414	71,135

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

At 31 December 2025	Weighted average effective interest rate %	Less than 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	9,787	–	–	–	9,787	9,787
Other payables and accruals	N/A	1,078	–	–	–	1,078	1,078
	7.10% –						
Bank borrowings	9.20%	17,508	–	–	–	17,508	17,508
Loans from immediate holding company	N/A	26,527	–	–	–	26,527	26,527
Amount due to a related company	N/A	913	–	–	–	913	913
Lease liabilities	6.70%	62	62	185	1,729	2,038	850
Total		55,875	62	185	1,729	57,851	56,663

At 30 April 2026	Weighted average effective interest rate %	Less than 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	13,452	–	–	–	13,452	13,452
Other payables and accruals	N/A	717	–	–	–	717	717
	9.20% –						
Bank borrowings	9.80%	15,885	–	–	–	15,885	15,885
Loans from immediate holding company	N/A	26,628	–	–	–	26,628	26,628
Amount due to a related company	N/A	916	–	–	–	916	916
Lease liabilities	6.70%	62	62	186	1,674	1,984	809
Total		57,660	62	186	1,674	59,582	58,407

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(c) Fair value

The carrying amounts of the Target Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023, 2024 and 2025 and 30 April 2026.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

28 Reconciliation of liabilities arising from financing activities

	Bank borrowings (Note 24) HK\$'000	Loans from immediate holding company (Note 32(a)) HK\$'000	Lease liabilities (Note 23) HK\$'000	Total HK\$'000
At 1 January 2023	10,606	48,938	970	60,514
Financing cash flows	(7,357)	21,433	(68)	14,008
Interest expense (Note 7)	672	157	61	890
Non-cash transaction (Note 29)	–	(47,141)	–	(47,141)
Currency realignment	(180)	184	(24)	(20)
At 31 December 2023 and 1 January 2024	3,741	23,571	939	28,251
Financing cash flows	22,089	3,654	(65)	25,678
Interest expense (Note 7)	1,409	–	59	1,468
Currency realignment	(402)	(800)	(51)	(1,253)
At 31 December 2024 and 1 January 2025	26,837	26,425	882	54,144
Financing cash flows	(10,578)	–	(62)	(10,640)
Interest expense (Note 7)	1,958	–	55	2,013
Currency realignment	(709)	102	(25)	(632)
At 31 December 2025 and 1 January 2026	17,508	26,527	850	44,885
Financing cash flows	(2,335)	–	(25)	(2,360)
Interest expense (Note 7)	648	–	18	666
Currency realignment	64	101	(34)	131
At 30 April 2026	<u>15,885</u>	<u>26,628</u>	<u>809</u>	<u>43,322</u>
At 1 January 2025	26,837	26,425	882	54,144
Financing cash flows	(3,519)	–	(25)	(3,544)
Interest expense (Note 7)	490	–	18	508
Currency realignment	(1,368)	292	(55)	(1,131)
At 30 April 2025 (unaudited)	<u>22,440</u>	<u>26,717</u>	<u>820</u>	<u>49,977</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

29 Non-cash transaction

During the year ended 31 December 2023, loans from immediate holding company of VND142,260,000,000 (equivalent to HK\$47,141,000) were converted to capital contribution (see Note 25).

30 Pledge of assets

At the end of each reporting period, the Target Company's certain assets have been pledged to secure the bank borrowings granted to the Target Company. The carrying amounts of the pledged assets of the Target Company at the end of each reporting period are as follows:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
Property, plant and equipment (<i>Note 13</i>)	74,177	67,316	61,849	60,873
Right-of-use assets (<i>Note 14</i>)	36,906	33,985	32,144	31,965
Trade receivables (<i>Note 18</i>)	<u>8,515</u>	<u>20,268</u>	<u>15,176</u>	<u>14,654</u>

31 Commitments

(a) Capital commitment

At the end of each reporting period, capital commitment contracted for but not provided for in the Historical Financial Information are as follows:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
Capital expenditure contracted for but not provided for:				
Purchase of property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,728</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(b) Operating lease arrangement – where the Target Company as a lessor

On 30 April 2026, the Target Company entered into an equipment and facilities lease agreement (the “**Lease Agreement**”) with Fountain Set Limited, pursuant to which Fountain Set Limited shall lease certain equipment and facilities required for production and business operations from the Target Company. The lease commenced on 1 May 2026 and shall terminate upon the earlier of (i) 30 April 2028; and (ii) the occurrence of any termination event specified in the Lease Agreement (including the completion of the proposed acquisition of 81% capital contribution interest in the Target Company by Fountain Set (Holdings) Limited and its subsidiaries). No maturity analysis of undiscounted lease payments receivable is presented as the lease arrangement does not contain a fixed non-cancellable lease term and is subject to termination option.

32 Related parties disclosures

(a) Related party balances

Saved as disclosed elsewhere to the Historical Financial Information, the Target Company had the following material balances with related parties:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
				HK\$'000
Loans from immediate holding company				
(Note (i))	23,571	26,425	26,527	26,628
Amount due to a related company (Note (ii))	977	684	913	916
	<u>24,548</u>	<u>27,109</u>	<u>27,440</u>	<u>27,544</u>

Notes:

- (i) As at 31 December 2023, loans from immediate holding company are unsecured, interest-bearing at 2% per annum and repayable within one year. Pursuant to an addendum to the loan agreement dated 1 January 2024, the loans are changed as interest-free with effect from 1 January 2024 onwards. As at 31 December 2024 and 2025 and 30 April 2026, loans from immediate holding company are unsecured, interest-free and repayable within one year.
- (ii) As at 31 December 2023, 2024 and 2025 and 30 April 2026, amount due to a related company is unsecured, interest-free and repayable on demand. The entity is identified as a related party of the Target Company as it is under the common control of the controlling shareholder of Target Company.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(b) Related party transactions

Saved as disclosed elsewhere to the Historical Financial Information, the Target Company also entered into the following transactions with related parties:

	At 31 December			At
	2023	2024	2025	30 April
	HK\$'000	HK\$'000	HK\$'000	2026
Purchase of goods from a related company	<u>2,249</u>	<u>3,796</u>	<u>2,605</u>	<u>834</u>

Three individual shareholders of the Target Company's ultimate controlling party have guaranteed certain bank loans made to the Target Company as at 31 December 2023, 2024, 2025 and 30 April 2026, as disclosed in note 24 to the Historical Financial Information.

(c) Compensation of key management personnel

The key management personnel are the directors of the Target Company, and their remuneration is disclosed in Note 10 to the Historical Financial Information.

33 Event after reporting period

Subsequent to the end of the reporting period, the Target Company, Ocean Textile Investment Pte. Limited, an indirectly wholly-owned subsidiary of the Company (as Purchaser), and Lian-Ta-Hsing International Co., Ltd. (as Vendor) entered into an asset divestment agreement on 27 July 2026, pursuant to which the Vendor is responsible for divesting the current assets (inventories, trade and bill receivables, prepayments, deposits and other receivables and bank balances and cash) and liabilities (trade and bill payables, other payables and accruals, contract liabilities, loans from immediate holding company, amount due to a related company and bank borrowings) of the Target Company as at 30 April 2026 (the "Divested Assets and Liabilities") through the Vendor's own arrangements before 31 July 2026. As at the date of this report, the aforesaid divestment of assets and liabilities has been completed.

Also, after the end of the reporting period, the pledge of assets as set out in Note 30 were released upon the settlement of the related bank borrowings.

Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 April 2026.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**A. INTRODUCTION**

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities (the “**Unaudited Pro Forma Financial Information**”) of the Group and the Target Company (collectively as the “**Enlarged Group**”) which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 81% equity interests in the Target Company by the Group for a cash consideration of US\$27,945,000 (equivalent to approximately HK\$219,089,000) (the “**Proposed Acquisition**”) as if it had taken place on the Group’s consolidated statement of assets and liabilities as at 30 June 2026.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2026 as extracted from the published interim report of the Group for the six months ended 30 June 2026; (ii) the audited statement of financial position of the Target Company as at 30 April 2026 as extracted from the Accountants’ Report thereon set out in the Appendix II to this Circular; and (iii) after giving effect to other unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for purposes of illustrating the effect of the Proposed Acquisition only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual assets and liabilities of the Enlarged Group that would be attained had the Proposed Acquisition been completed on 30 June 2026 or any future date.

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 interim report of the Company for the six months ended 30 June 2026, and Accountants’ Report of the Target Company as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2026

	The Group as at 30 June 2026 HK\$'000 Note 1 (unaudited)	The Target Company as at 30 April 2026 HK\$'000 Note 2 (audited)	Unaudited pro forma adjustments			Unaudited pro forma financial information of the Enlarged Group as at 30 June 2026 HK\$'000 (unaudited)
			HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	
ASSETS						
Non-current assets						
Investment properties	50,893	–	–	–	–	50,893
Property, plant and equipment	1,004,733	93,981	–	36,489	–	1,135,203
Right-of-use assets	224,288	31,965	–	113,188	–	369,441
Other intangible assets	28,049	–	–	–	–	28,049
Deposit paid for purchase of plant and equipment	2,271	–	–	–	–	2,271
Goodwill	–	–	–	20,735	–	20,735
Interest in an associate	27,775	–	–	–	–	27,775
Deferred tax assets	54,189	10	–	(10)	–	54,189
Total non-current assets	1,392,198	125,956	–	170,402	–	1,688,556
Current assets						
Inventories	813,143	32,469	(32,469)	–	–	813,143
Trade and bills receivables	772,626	14,654	(14,654)	–	(3,275)	769,351
Prepayments, deposits and other receivables	178,983	4,661	(4,661)	–	(67,399)	111,584
Tax recoverable	5,802	–	–	–	–	5,802
Restricted bank deposits	1,961	–	–	–	–	1,961
Short-term bank deposits	580,487	–	–	–	–	580,487
Bank balances and cash	899,176	6,543	(6,543)	(175,271)	–	723,905
Total current assets	3,252,178	58,327	(58,327)	(175,271)	(70,674)	3,006,233
Total assets	4,644,376	184,283	(58,327)	(4,869)	(70,674)	4,694,789

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 30 June 2026 HK\$'000 Note 1 (unaudited)	The Target Company as at 30 April 2026 HK\$'000 Note 2 (audited)	Unaudited pro forma adjustments			Unaudited pro forma financial information of the Enlarged Group as at 30 June 2026 HK\$'000 (unaudited)
			HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	
LIABILITIES						
Non-current liabilities						
Deferred income – non-current portion	62,094	–	–	–	–	62,094
Lease liabilities – non-current portion	140,258	802	–	–	–	141,060
Deferred tax liabilities	1,256	–	–	29,933	–	31,189
Total non-current liabilities	203,608	802	–	29,933	–	234,343
Current liabilities						
Trade and bills payables	582,273	13,452	(13,452)	–	(3,275)	578,998
Other payables and accruals	245,329	717	(717)	43,818	(67,399)	221,748
Contract liabilities	22,649	4,905	(4,905)	–	–	22,649
Lease liabilities – current portion	39,741	7	–	–	–	39,748
Loans from immediate holding company	–	26,628	(26,628)	–	–	–
Amount due to a related company	–	916	(916)	–	–	–
Amounts due to non-controlling shareholders	21,491	–	–	–	–	21,491
Amount due to an associate	6,986	–	–	–	–	6,986
Deferred income – current portion	5,463	–	–	–	–	5,463
Tax payable	12,401	–	–	–	–	12,401
Bank borrowings	–	15,885	(15,885)	–	–	–
Total current liabilities	936,333	62,510	(62,503)	43,818	(70,674)	909,484
Total liabilities	1,139,941	63,312	(62,503)	73,751	(70,674)	1,143,827
Net assets/(liabilities)	3,504,435	120,971	4,176	(78,620)	–	3,550,962
EQUITY						
Share capital	889,810	281,127	–	(281,127)	–	889,810
Reserves	2,371,143	(160,156)	4,176	155,980	–	2,371,143
Equity attributable to owners of the Company	3,260,953	120,971	4,176	(125,147)	–	3,260,953
Non-controlling interests	243,482	–	–	46,527	–	290,009
Total equity	3,504,435	120,971	4,176	(78,620)	–	3,550,962

Notes to Unaudited Pro Forma Financial Information

- (1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2026 as set out in the published interim report of the Group for the six months ended 30 June 2026.
- (2) The amounts are extracted from the audited statement of financial position of the Target Company as at 30 April 2026 as set out in the Accountants' Report of the Target Company contained in Appendix II to this Circular.
- (3) Pursuant to the Transaction Agreements (including Equity Transfer Agreement and Asset Divestment Agreement), the current assets (inventories, trade and bill receivables, prepayments, deposits and other receivables and bank balances and cash) and liabilities (trade and bill payables, other payables and accruals, contract liabilities, loans from immediate holding company, amount due to a related company and bank borrowings) of the Target Company as of 30 April 2026 (namely the “**Divested Assets and Liabilities**”) must be divested, repaid, or transferred before 31 July 2026.

The adjustments represent (i) the exclusion of Divested Assets and Liabilities of the Target Company as they are excluded from the scope of the assets and liabilities acquired by the Group under the Proposed Acquisition and (ii) the equity transaction arising from transactions with its shareholder(s).

- (4) The pro forma adjustments made represent:

	Notes	HK\$'000	HK\$'000
Consideration	<i>i</i>		219,089
Net assets of the Target Company as at 30 April 2026	2		120,971
Add: Effect of Divested Assets and Liabilities of the Target Company	3		4,176
Add: Fair value adjustments			
– Property, plant and equipment	<i>ii</i>	36,489	
– Right-of-use assets	<i>ii</i>	113,188	
– Deferred tax assets	<i>ii</i>	(10)	
– Deferred tax liabilities related to the fair value adjustments	<i>ii</i>	<u>(29,933)</u>	<u>119,734</u>
Total amount of identifiable net assets acquired			244,881
Less: Non-controlling interests (19%)	<i>iii</i>		<u>(46,527)</u>
Proportion of ownership by the Group (81%)			<u>198,354</u>
Provisional goodwill	<i>iv</i>		<u><u>20,735</u></u>

Notes:

- (i) The settlement of the consideration for the Proposed Acquisition, which is assumed to comprise (a) the first and second instalments in an aggregate cash consideration of US\$22,356,000 (equivalent to approximately HK\$175,271,000), to be paid upon Completion; and (b) consideration payable of US\$5,589,000 (equivalent to approximately HK\$43,818,000), representing the Retention Amount temporarily withheld by the Purchaser pursuant to the terms of the Equity Transfer Agreement.
- (ii) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities acquired with reference to the valuation report prepared by an independent valuer. The fair value adjustments on property, plant and equipment, right-of-use assets and deferred tax assets are calculated by deducting their respective carrying amounts as at 30 April 2026 from their respective fair values as extracted from the valuation report as at 30 April 2026. Deferred tax liabilities are recognised for temporary differences arising from the fair value adjustments on the above assets at a corporate income tax rate of 20%.
- (iii) The non-controlling interests are calculated based on 19% of the fair value of the identifiable net assets of the Target Company as at 30 April 2026.
- (iv) Goodwill arising from the acquisition of the Target Company represents the excess of the fair value of the consideration of the Proposed Acquisition over the fair value of the identifiable net assets of the Target Company.

Since the carrying amounts and the fair values of the identifiable assets and liabilities of the Target Company on the date of completion of the Proposed Acquisition may be substantially different from those used in the preparation of the Unaudited Pro Forma Financial Information, the actual amount of goodwill may be different from the amount presented above. Accordingly, the Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Proposed Acquisition.

- (5) The adjustment represents the elimination of balances between the Group and the Target Company. For the purpose of this Unaudited Pro Forma Financial Information, the balances to be eliminated are determined based on the outstanding balances of the Group as at 30 June 2026.
- (6) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the Directors determined that such costs are insignificant.
- (7) Save as disclosed above, no other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 30 June 2026 and 30 April 2026, respectively, for the purpose of preparation of the Unaudited Pro Forma Financial Information.

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

The following is the text of a report received from the reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

**To the Board of Directors of Fountain Set (Holdings) Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fountain Set (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (“the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2026 and related notes as set out on pages III-2 to III-4 of the circular dated 5 October 2026 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in page III-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 81% equity interest in Công Ty TNHH Lian-Ta-Hsing (Việt Nam) (English name: Lian-Ta-Hsing Company Limited (Vietnam)) (the “**Target Company**”) (the “**Proposed Acquisition**”) on the Group’s consolidated statement of assets and liabilities as at 30 June 2026 as if the Proposed Acquisition had taken place on 30 June 2026. As part of this process, information about the Group’s consolidated statement of asset and liabilities has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 June 2026, on which a review report has been published.

Directors’ responsibility for the unaudited pro forma financial information

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

Our independence and quality management

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

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

Reporting accountants’ responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2026 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' judgement, 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 purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 5 October 2026

Chau Fong, Lily

Practising Certificate Number P08090

Set out below is the Management Discussion and Analysis on the Target Company for the three financial years ended 31 December 2023, 2024 and 2025, and the four months ended 30 April 2026. The following financial information is prepared based on the financial data of the Target Company set out in the Accountants' Report in Appendix II to this Circular.

BUSINESS REVIEW

The Target Company is a limited liability company duly incorporated and operating under the laws of Vietnam. The principal business of the Target Company is the procurement of yarns, as well as the production and sale of knitted fabrics, elastic fabrics and other non-woven fabrics.

FINANCIAL REVIEW**Revenue**

The revenue of the Target Company is mainly derived from the sale of knitted fabrics, elastic fabrics and other non-woven fabrics.

For the three years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026, the revenue of the Target Company was approximately HK\$41.57 million, HK\$96.65 million, HK\$67.68 million and HK\$15.87 million, respectively.

Gross loss

For the three years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026, the gross loss of the Target Company was approximately HK\$27.61 million, HK\$4.02 million, HK\$2.95 million and HK\$3.81 million, respectively. Save for the four-month period ended 30 April 2026, the decrease in gross loss was mainly attributable to enhanced cost control at the factory. For the four-month period ended 30 April 2026, the increase in gross loss was primarily due to reduced market orders.

Loss before income tax

The loss before income tax incurred by the Target Company decreased substantially from HK\$37.58 million for the year ended 31 December 2023 to HK\$18.03 million for the year ended 31 December 2024, and then decreased to HK\$14.63 million for the year ended 31 December 2025. The year-on-year reduction in loss before tax was mainly attributable to enhanced cost control at the factory. Owing to reduced market orders, the loss before income tax amounted to HK\$7.50 million for the four-month period ended 30 April 2026.

Finance costs

Finance costs (including interest expenses on bank loans and interest expenses on lease liabilities) amounted to HK\$0.89 million, HK\$1.47 million, HK\$2.01 million and HK\$0.67 million for the years ended 31 December 2023, 2024 and 2025 and the four-month period ended 30 April 2026, respectively.

Distribution and selling expenses

Distribution and selling expenses increased from HK\$56,000 for the year ended 31 December 2023 to HK\$292,000 for the year ended 31 December 2024, then decreased to HK\$246,000 for the year ended 31 December 2025, and further decreased to HK\$76,000 for the four-month period ended 30 April 2026, which is in line with the trend of revenue.

Administrative expenses

Administrative expenses (including staff cost and external service expenses) increased from HK\$8.58 million for the year ended 31 December 2023 to HK\$11.67 million for the year ended 31 December 2024, decreased to HK\$8.62 million for the year ended 31 December 2025, and further decreased to HK\$2.96 million for the four-month period ended 30 April 2026.

Capital structure, liquidity and financial resources

The Target Company recorded net assets of HK\$173.50 million, HK\$146.61 million, HK\$128.0 million and HK\$120.97 million as at 31 December 2023, 2024, 2025 and 30 April 2026, respectively. The gearing ratio of the Target Company (being total liabilities divided by total assets) stood at 23.75%, 34.75%, 32.76% and 34.36% as at 31 December 2023, 2024, 2025 and 30 April 2026, respectively. The gearing ratio was relatively low in 2023 and subsequently rose to approximately 35%, remaining generally within a relatively prudent range, with short-term bank borrowings constituting the major part of the liability structure. The borrowings of the Company for each period were sourced from shareholders and external banks, among which the shareholder borrowings were interest-free. The interest rate levels in respect of bank borrowings are set out below: for 2023, the annual interest rates ranged from 4.32% to 7.76%; for 2024, the annual interest rates ranged from 6.3% to 8.7%; for 2025, the annual interest rates ranged from 7.1% to 9.2%; and from January to April 2026, the annual interest rates ranged from 9.2% to 9.8%.

The short-term borrowings (including interest-bearing and secured bank borrowings) of the Target Company amounted to HK\$3.74 million, HK\$26.84 million, HK\$17.51 million and HK\$15.89 million as at 31 December 2023, 2024, 2025 and 30 April 2026, respectively, all of which were due within one year. Interest-free and unsecured borrowings from shareholders amounted to HK\$23.57 million, HK\$26.43 million, HK\$26.53 million and HK\$26.63 million as at 31 December 2023, 2024, 2025 and 30 April 2026, respectively, all of which were due within one year, and the proceeds were used for working capital purposes.

Charges over assets

As at 31 December 2023, assets of the Target Company with an aggregate carrying amount of approximately HK\$114.83 million, including property and plant with a carrying amount of approximately HK\$74.18 million, land use-right assets with a carrying amount of approximately HK\$36.91 million and accounts receivable with a carrying amount of approximately HK\$3.74 million, were charged to the bank as security for the borrowings granted to the Target Company as aforesaid.

As at 31 December 2024, assets of the Target Company with an aggregate carrying amount of approximately HK\$128.15 million, including property and plant with a carrying amount of approximately HK\$67.32 million, land use-right assets with a carrying amount of approximately HK\$33.99 million and accounts receivable with a carrying amount of approximately HK\$26.84 million, were charged to the bank as security for the borrowings granted to the Target Company as aforesaid.

As at 31 December 2025, assets of the Target Company with an aggregate carrying amount of approximately HK\$111.50 million, including property and plant with a carrying amount of approximately HK\$61.85 million, land use-right assets with a carrying amount of approximately HK\$32.14 million and accounts receivable with a carrying amount of approximately HK\$17.51 million, were charged to the bank as security for the borrowings granted to the Target Company as aforesaid.

As at 30 April 2026, assets of the Target Company with an aggregate carrying amount of approximately HK\$108.73 million, including property and plant with a carrying amount of approximately HK\$60.87 million, land use-right assets with a carrying amount of approximately HK\$31.97 million and accounts receivable with a carrying amount of approximately HK\$15.89 million, were charged to the bank as security for the borrowings granted to the Target Company as aforesaid.

Contingent liabilities

As at 31 December 2023, 2024, 2025 and 30 April 2026, the Target Company had no material contingent liabilities.

Exposure to foreign exchange risk

As at 30 April 2026, the principal assets (including cash and cash equivalents), liabilities and business transactions of the Target Company are denominated in Vietnamese Dong. Accordingly, the Target Company considers that it has no material foreign exchange fluctuation risks and has not implemented any hedging measures. The management will closely monitor foreign exchange risks and consider hedging material currency risks as and when necessary.

Material investments

As at 31 December 2023, 2024, 2025 and 30 April 2026, the Target Company had no external investment.

Material acquisitions and disposals

As at 31 December 2023, 2024, 2025 and 30 April 2026, the Target Company had no material acquisition and disposal.

Segment information

As at 31 December 2023, 2024, 2025 and 30 April 2026, the revenue of the Target Company was mainly derived from the sales of knitted fabrics, elastic fabrics and other non-woven fabrics.

Employees and remuneration

As at 31 December 2023, 2024, 2025 and 30 April 2026, the Target Company had 199, 251, 233 and 200 employees, respectively. Employees' remuneration is determined based on their working hours, and wage levels are set with reference to prevailing market conditions. Staff costs incurred amounted to HK\$10.78 million, HK\$17.36 million, HK\$14.02 million and HK\$4.75 million for the years ended 31 December 2023, 2024 and 2025 and the four-month period ended 30 April 2026, respectively.

The Target Company regularly reviews its remuneration policies and related benefits. Whilst the Target Company has not adopted or implemented any bonus, share option scheme or training scheme, bonuses and commissions may be granted to employees on a case-by-case basis by reference to their performance assessments. The remuneration of the Target Company's employees is determined with reference to market remuneration levels, taking into account their duties, capabilities, qualifications, engagement and performance. The Target Company reviews its employees' remuneration and benefits annually in accordance with prevailing market practices and individual employee performance.

Future plans for material investments or capital assets

As at 31 December 2023, 2024, 2025 and 30 April 2026, the Target Company had no future plans for material investments or capital assets.

This report is prepared in accordance with China's Asset Appraisal Standards

**Value of All Equity Interests of
CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM)
in Connection with the Proposed Acquisition of
the Equity Interests in CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM)
by Fountain Set (Holdings) Limited
Asset Appraisal Report
ZQHPB Zi (2026) No. 1897
(Volume One of One)**

China Enterprise Appraisals Co., Ltd.
17 August 2026

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STATEMENT

- I. This Asset Appraisal Report is prepared in accordance with the Basic Standards for Asset Appraisal issued by the Ministry of Finance and the Asset Appraisal Practice Standards and Code of Ethics issued by the China Appraisal Society.
- II. The principal and other users of this Asset Appraisal Report shall use the Asset Appraisal Report in accordance with laws, administrative regulations and the scope of use specified in this Asset Appraisal Report. If the principal or other users of this Asset Appraisal Report use the Asset Appraisal Report in violation of the foregoing provisions, this asset appraisal institution and the appraisers shall not undertake any liability.

This Asset Appraisal Report is only available for use by the principal, other users of the Asset Appraisal Report as stipulated in the Asset Appraisal Engagement Contract, and users of the Asset Appraisal Report as prescribed by laws and administrative regulations. No other institutions or individuals shall be users of the Asset Appraisal Report.

This asset appraisal institution and the appraisers hereby remind users of the Asset Appraisal Report that the appraisal conclusion should be correctly understood. The appraisal conclusion is not equivalent to the realisable price of the appraisal object, and the appraisal conclusion should not be deemed as a guarantee of the realisable price of the appraisal object.

- III. This asset appraisal institution and the appraisers have complied with laws, administrative regulations and asset appraisal standards, adhered to the principles of independence, objectivity and fairness, and undertake the responsibility for the Asset Appraisal Report issued in accordance with the law.
- IV. The asset list involved in the appraisal object is declared by the principal and the appraised entity and confirmed by them by way of signatories, seals or other means permitted by law. The principal and other relevant parties are legally responsible for the authenticity, completeness and legality of the information provided by them.
- V. This asset appraisal institution and the appraisers have no existing or prospective interest in the appraisal object in the Asset Appraisal Report, have no existing or prospective interest in the relevant parties, and have no biased opinion against the relevant parties.

- VI. The appraisers have conducted on-site investigation on the appraisal object and the assets involved therein in the Asset Appraisal Report, have given due attention to the legal title status of the appraisal object and the assets involved therein, have examined the legal title documents of the appraisal object and the assets involved therein, have truthfully disclosed the issues identified, and have reminded the principal and other relevant parties to perfect the property rights to meet the requirements for issuing the Asset Appraisal Report.
- VII. The analyses, judgements and conclusions in the Asset Appraisal Report issued by this asset appraisal institution are subject to the assumptions and conditions limitations set forth in the Asset Appraisal Report. Users of the Asset Appraisal Report shall give full consideration to the assumptions, conditions limitations, explanations on special matters and their impact on the appraisal conclusion as stated in the Asset Appraisal Report.
- VIII. The appraisers' inspection of tangible assets such as buildings and structures, machinery, equipment and others is, as per conventional practice, limited to visual observation and understanding of their operating conditions and maintenance status, and does not extend to those internally covered, concealed and inaccessible parts. We do not possess professional appraisal qualifications, nor have we been engaged to conduct professional technical testing and appraisal of the internal quality of the above assets. Our appraisal is based on the information provided by the principal and other relevant parties. If there are defects in the internal quality of these appraisal objects, the appraisal conclusion may be affected to some varying degrees.

SUMMARY OF THE ASSET APPRAISAL REPORT

Important Note

The following is an extract from the main text of the Asset Appraisal Report. To understand the details of this appraisal engagement and to correctly interpret the appraisal conclusion, the main text of the Asset Appraisal Report should be read in its entirety.

To Fountain Set (Holdings) Limited:

Entrusted by your company, China Enterprise Appraisals Co., Ltd., in compliance with laws, administrative regulations and asset appraisal standards, adhering to the principles of independence, objectivity and fairness, and following the necessary appraisal procedures, has appraised the market value of all the equity interests of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) as at 30 April 2026 in connection with the proposed acquisition of the equity interests in CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) by Fountain Set (Holdings) Limited. The summary of the Asset Appraisal Report is as follows:

Purpose of the Appraisal: As Fountain Set (Holdings) Limited proposes to acquire the equity interests in CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM), it is necessary to appraise the market value of all the equity interests of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) as at the Appraisal Reference Date to provide a value reference for the above economic activity.

Appraisal Object: The appraisal object is the value of all the equity interests of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM).

Appraisal Scope: All the assets and liabilities of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM). The assets within the appraisal scope include fixed assets, right-of-use assets, long-term deferred expenses and deferred income tax assets, with total assets carrying amount of RMB110,298,500. The liabilities include current liabilities and non-current liabilities, with total liabilities carrying amount of RMB709,100. The carrying amount of the net assets is RMB109,589,400.

Appraisal Reference Date: 30 April 2026

Value Type: Market Value

Appraisal Methodology: Asset-based Approach

Appraisal Conclusion: As at the Appraisal Reference Date, the carrying amount of the total assets of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) was RMB110,298,500, and the appraised value was RMB241,362,400, representing an appreciation of RMB131,063,900 and an appreciation rate of 118.83%. The carrying amount of the total liabilities was RMB709,100, and the appraised value was RMB709,100, with no change in value. The carrying amount of the net assets was RMB109,589,400, and the appraised value was RMB240,653,200, representing an appreciation of RMB131,063,800 and an appreciation rate of 119.60%.

The detailed appraisal results under the asset-based approach are set out in the following summary table of appraisal results:

Summary Table of Appraisal Results under the Asset-based Approach

Appraisal Reference Date: 30 April 2026

Monetary Unit: RMB10,000

Item		Carrying Amount	Appraised Value	Appreciation/Depreciation	Appreciation Rate%
		A	B	C=B-A	D=C/A×100
Fixed Assets	1	8,214.68	11,407.40	3,192.72	38.87
Right-of-use Assets	2	2,799.12	12,711.02	9,911.90	354.11
Long-term Deferred Expenses	3	15.18	17.82	2.64	17.41
Deferred Income Tax Assets	4	0.87	0.00	-0.87	-100.00
Total Assets	5	11,029.85	24,136.24	13,106.39	118.83
Current Liabilities	6	0.66	0.66	0.00	0.00
Non-current Liabilities	7	70.26	70.26	0.00	0.00
Total Liabilities	8	70.91	70.91	0.00	0.00
Net Assets	9	10,958.94	24,065.32	13,106.38	119.60

Based on the Renminbi central parity rate of US\$1:RMB6.8628 on 30 April 2026 announced by the China Foreign Exchange Trade System, the total equity value of the shareholders of Lian-Ta-Hsing Company Limited (Vietnam) as at the Reference Date is equivalent to US\$35.0663 million.

This Asset Appraisal Report only provides a value reference for the economic activity described in the Asset Appraisal Report. The validity period for the use of the appraisal conclusion is one year from the Appraisal Reference Date.

Users of the Asset Appraisal Report shall give full consideration to the assumptions, conditions limitations, explanations on special matters and their impact on the appraisal conclusion as stated in the Asset Appraisal Report.

The above is an extract from the main text of the Asset Appraisal Report. To understand the details of this appraisal engagement and to correctly interpret the appraisal conclusion, the main text of the Asset Appraisal Report should be read in its entirety.

**Project on the Value of All Equity Interests
of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM)
in Connection with the Proposed Acquisition of the Equity Interests
in CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) by
Fountain Set (Holdings) Limited**

Main Text of the Asset Appraisal Report

Fountain Set (Holdings) Limited:

Entrusted by your company, China Enterprise Appraisals Co., Ltd., in compliance with laws, administrative regulations and asset appraisal standards, adhering to the principles of independence, objectivity and fairness, and following the necessary appraisal procedures, has appraised the market value of all the equity interests of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) as at 30 April 2026 in connection with the proposed acquisition of the equity interests in CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) by Fountain Set (Holdings) Limited. The appraisal circumstances are now reported as follows:

I. Principal, the Appraised Entity and Other Users of the Asset Appraisal Report as Stipulated in the Asset Appraisal Engagement Contract

The principal of this appraisal is Fountain Set (Holdings) Limited, and the appraised entity is CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM). The Asset Appraisal Engagement Contract does not stipulate any other users of the Asset Appraisal Report.

(I) Introduction to the Principal

Name:	Fountain Set (Holdings) Limited
English Name:	Fountain Set (Holdings) Limited
Address:	6/F BLK A EASTERN SEA INDUSTRIAL BLDG, 29-39 KWAI CHEONG RD, KWAI CHUNG NT, HONG KONG
Authorised Share Capital:	HK\$1,400,000,000
Company Type:	Public Company Limited by Shares
Business Registration Certificate Number:	10311419
Date of Establishment:	23 April 1985

(II) Introduction to the Appraised Entity**1. Company Profile**

Name:	CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM)
English Name of the Company:	LIAN-TA-HSING (VIET NAM) CO., LTD.
Address:	Lot 45-1, N15 Road, Phuoc Dong Industrial Zone, Phuoc Dong Commune, Huyện Gò Dầu, Tay Ninh Province, Vietnam
Legal Representative:	Kao, Wen-Cheng
Paid-in Capital:	US\$36,000,000.00 (equivalent to VND832,549,602,679.00, equivalent to RMB249,764,880.80)
Date of Establishment:	30 August 2016
Enterprise Code:	3901229591

2. Shareholders and Shareholding Ratios of the Company

CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) was established on 30 August 2016, and its principal business is the production and processing of knitted fabrics, crocheted fabrics, non-woven fabrics and woollen textile products. Its registered capital is US\$36,000,000.00, all of which is contributed by the shareholder LIAN-TA-HSING INTERNATIONAL CO., LTD. The shareholding structure is as follows:

No.	Shareholder Name	Subscribed Amount (US\$10,000)	Subscribed Contribution Ratio (%)	Paid-in Amount (US\$10,000)	Paid-in Contribution Ratio (%)
1	LIAN-TA-HSING INTERNATIONAL CO., LTD	3,600.00	100.00	3,600.00	100.00
Total		3,600.00	100.00	3,600.00	100.00

As at the Appraisal Reference Date, there is no change to the shareholding structure of the Company.

3. *Assets, Financial and Operating Conditions for the Recent Three Years*

The financial positions of the appraised entity for the recent three years are as follows:

Monetary Unit: RMB10,000

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Total Assets	11,029.85	17,198.10	20,803.93	20,639.93
Total Liabilities	70.91	5,634.74	7,228.76	4,902.88
Owners' Equity	10,958.94	11,563.36	13,575.17	15,737.05

The operating results of the appraised entity for the recent three years are as follows:

Monetary Unit: RMB10,000

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Operating Revenue	1,411.49	6,257.19	8,855.27	3,740.64
Operating Profit	-666.66	-1,356.87	-1,684.68	-3,386.01
Net Profit	-667.29	-1,351.75	-1,651.52	-3,381.60

The financial statements of the appraised entity as of the Appraisal Reference Date, and for the years 2025, 2024 and 2023, have all been audited by Baker Tilly China Certified Public Accountants (Special General Partnership), which issued an unqualified audit opinion report (TZY Zi [2026] No. 33733).

(III) Relationship between the Principal and the Appraised Entity

The principal of this project proposes to acquire the equity interests in the appraised entity.

(IV) Other Users of the Asset Appraisal Report as Stipulated in the Asset Appraisal Engagement Contract

This Asset Appraisal Report is only available for use by the principal and users of the Asset Appraisal Report as prescribed by national laws and regulations, and shall not be used or relied upon by any other third party.

II. PURPOSE OF THE APPRAISAL

As Fountain Set (Holdings) Limited proposes to acquire the equity interests in CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) (economic activity document: “Lian-Ta-Hsing (Vietnam)”), it is necessary to appraise the market value of all the equity interests of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) as of the Appraisal Reference Date to provide a value reference for the above economic activity.

In respect of this matter, COFCO issued the “Approval on the Project Initiation of the M&A and Expansion Project of Chinatex’s Lian-Ta-Hsing (Vietnam)” (ZLZ Zi [2025] No. 80) on 20 June 2025.

III. APPRAISAL OBJECT AND APPRAISAL SCOPE

(I) Appraisal Object

The appraisal object is the value of all the equity interests of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM).

(II) Appraisal Scope

The appraisal scope is all the assets and liabilities of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM). The assets within the appraisal scope include fixed assets, right-of-use assets, long-term deferred expenses and deferred income tax assets, with total assets carrying amount of RMB110,298,500. The liabilities include current liabilities and non-current liabilities, with total liabilities carrying amount of RMB709,100. The carrying amount of net assets is RMB109,589,400.

The entrusted appraisal object and appraisal scope are consistent with the appraisal object and appraisal scope involved in the economic activity. As of the Appraisal Reference Date, the carrying amounts of assets within the appraisal scope have been audited by Baker Tilly China Certified Public Accountants (Special General Partnership), which issued an unqualified audit opinion report (TZY Zi [2026] No. 33733).

The principal assets within the appraisal scope are as follows:

1. The principal assets declared by the enterprise and included in the appraisal scope are buildings and structures, equipment assets, right-of-use assets and long-term deferred expenses. The types and characteristics of the assets are as follows:

(1) Buildings and Structures

The buildings within the appraisal scope mainly include 20 items such as the fabric preparation workshop, dyeing and setting workshop, chemical raw material warehouse, office building and dormitory building, with a total gross floor area of 53,507.57 square metres. The buildings are mainly of reinforced concrete structure. The clock-in room, fire pump station and flow monitoring station are of simple steel structure.

The structures mainly include 16 items such as sewage treatment tanks, motorcycle sheds, connecting sheds, weighbridge foundations, clear water tanks, floors and fences, which are mainly of reinforced concrete, steel structure, and crushed stone concrete structures. The above buildings and structures are all located within the factory site at Lot 45-1, N15 Road, Phuoc Dong Industrial Zone, Phuoc Dong Commune, Huyện Gò Dầu, Tây Ninh Province, Vietnam. As of the Appraisal Reference Date, the buildings and structures were in good maintenance conditions.

(2) Equipment Assets

The equipment assets within the appraisal scope were mainly purchased during 2019 to 2026, and are distributed in areas such as the fabric preparation workshop, dyeing and setting workshop, sewage treatment area and boiler room within the factory site. The basic profile of the equipment assets is as follows:

Machinery and equipment mainly include 458 sets of equipment such as single and double-sided knitting machines, dyeing machines, fabric dryers, wool washing machines, de-oiling machines, automatic open-width machines, stenter setting machines, sludge filter presses, wastewater sedimentation tank sludge scrapers, wastewater treatment system control systems, air bearing blowers, chain grate heat transfer oil boilers, chain grate saturated steam boilers, dye conveying system production lines, dry powder dye dissolving equipment, instruments and meters, 22KV high-voltage cables and transformer stations, CT system lighting, low-voltage electrical appliances and air conditioners, water supply, drainage and wastewater treatment equipment. Except for 2 units of equipment that are idle, the remaining equipment are all in use, and are generally in good operating conditions.

Electronic equipment mainly include 18 sets of equipment such as Dell computers, weak current monitoring systems, measuring equipment, Dell servers, and intelligent storage batteries. All electronic equipment are in use and in good operating conditions.

(3) Right-of-use Assets

The right-of-use assets within the appraisal scope are the land infrastructure usage fees and the annual net land rent for the factory site of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM).

Land infrastructure usage fees: Pursuant to the “Land Sublease Contract” provided by the appraised entity, CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) acquired the land use rights of Lot 45-1, N15 Road, Phuoc Dong Industrial Zone, Phuoc Dong Commune, Huyện Gò Dầu, Tay Ninh Province, Vietnam by way of sublease, with a total land area of 152,903.40 square metres with a term expiring on 29 December 2058. The unit price of the land infrastructure usage fees is VND877,500 per square metre (equivalent to US\$39 per square metre), which has been paid in full.

Annual net land rent: Pursuant to the “Land Sublease Contract” provided by the appraised entity, the annual net land rent payment standard of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) is VND1,364.5 per square metre, and this net land rent shall remain unchanged until 29 December 2058. CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) pays the annual net land rent on an annual basis.

(4) Long-term Deferred Expenses

As of the Appraisal Reference Date, the carrying amount of long-term deferred expenses was RMB151,792.45. The accounting content included the aluminium alloy doors and windows and plasterboard wall construction project, Taiwan banyan trees and landscaping project, medium-voltage cable joint replacement project, and equipment such as air conditioners, printers, computers, trolleys, batteries and lithium battery cells. The above equipment are all in use and in good operating conditions. In addition, there are also some long-term deferred expenses such as CKS renewal fees, ECA public digital signature certification services, 48-month social security software renewal fees, Vietnam social security system YN0059G46 renewal fees, and CA Basic public digital signature certification service maintenance fees. The above fees are all certification service fees used in conjunction with the systems, and some of the fees have already expired.

2. Types and quantities of off-balance-sheet assets declared by the enterprise.

The assets declared by the enterprise and included in the appraisal scope are all on-balance-sheet assets, with no off-balance-sheet assets.

3. Types, quantities and carrying amounts of assets involved in the conclusions of reports issued by other institutions that have been cited

The carrying amounts of assets in this Asset Appraisal Report are cited from the unqualified audit opinion report (TZY Zi [2026] No. 33733) issued by Baker Tilly China Certified Public Accountants (Special General Partnership).

IV. VALUE TYPE

In accordance with factors including the purpose of this appraisal, market conditions and the conditions of the appraisal object itself, the value type of the appraisal object is determined to be market value.

Market value refers to the estimated amount for which the appraisal object could be exchanged on the Appraisal Reference Date in a normal and fair transaction between a willing buyer and a willing seller, each acting rationally and without any compulsion.

V. APPRAISAL REFERENCE DATE

The Appraisal Reference Date is 30 April 2026.

The Appraisal Reference Date was determined by the principal. In determining the Appraisal Reference Date, the implementation of the economic activity and period-end accounting factors were primarily considered. In line with the principle of ensuring that the appraisal results effectively serve the appraisal purpose, accurately defining the appraisal scope, accurately and efficiently verifying the assets, and reasonably selecting the appraisal pricing basis, a date closer to the planned implementation date of the relevant economic activity was selected as the Appraisal Reference Date.

VI. APPRAISAL BASIS

(I) Economic activity Basis

1. “Approval on the Project Initiation of the M&A and Expansion Project of Chinatex’s Lian-Ta-Hsing (Vietnam)” (ZLZ Zi [2025] No. 80).

(II) Laws and Regulations Basis

1. “Asset Appraisal Law of the People’s Republic of China” (adopted at the 21st session of the Standing Committee of the 12th National People’s Congress on 2 July 2016);
2. “Company Law of the People’s Republic of China” (second amendment at the 7th session of the Standing Committee of the 14th National People’s Congress on 29 December 2023);
3. “Securities Law of the People’s Republic of China” (second amendment at the 15th session of the Standing Committee of the 13th National People’s Congress on 28 December 2019);
4. “State-owned Assets Law of the People’s Republic of China” (adopted at the 5th session of the Standing Committee of the 11th National People’s Congress on 28 October 2008);
5. “Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises” (State Council Decree No. 378, second amendment on 2 March 2019);
6. “Measures for the Financial Supervision and Administration of the Asset Appraisal Industry” (Ministry of Finance Decree No. 86, as amended by Ministry of Finance Decree No. 97);
7. “Measures for the Administration of State-owned Assets Appraisal” (State Council Decree No. 91, amended on 29 November 2020);
8. “Interim Measures for the Administration of State-owned Assets Appraisal of Enterprises” (SASAC Decree No. 12);
9. “Measures for the Supervision and Administration of State-owned Equity of Listed Companies” (SASAC, Ministry of Finance and CSRC Decree No. 36);
10. “Interim Measures for the Administration of Overseas State-owned Property Rights of Central Enterprises” (SASAC Decree No. 27);
11. “Measures for the Supervision and Administration of State-owned Assets Transactions of Enterprises” (SASAC and Ministry of Finance Decree No. 32);
12. “Circular on Issues Concerning Strengthening the Administration of State-owned Assets Appraisal of Enterprises” (SASAC Property Rights [2006] No. 274);

13. “Circular on the Issuance of the Implementation Rules of the Measures for the Administration of State-owned Assets Appraisal” (State-owned Assets Administration Office [1992] No. 36);
14. “Circular on Matters Concerning the Review of State-owned Assets Appraisal Reports of Enterprises” (State-owned Assets Property Rights [2009] No. 941);
15. “Circular on Further Strengthening the Administration of Overseas State-owned Property Rights of Central Enterprises” (State-owned Assets Property Rights Regulation [2020] No. 70);
16. “Guidelines for the Filing of State-owned Assets Appraisal Projects of Enterprises” (State-owned Assets Property Rights [2013] No. 64);
17. “Circular on Optimising the Administration of Assets Appraisal of Central Enterprises” (State-owned Assets Property Rights Regulation [2024] No. 8);
18. Vietnam’s “Land Law” (amended in 2024);
19. Vietnam’s “Real Estate Business Law” (amended in 2023);
20. Vietnam’s “Enterprise Law” (amended in 2025);
21. Vietnam’s “Value-Added Tax Law” (second amendment in 2026);
22. “Government Decree on Value-Added Tax Reduction Policies Pursuant to National Assembly Resolution No. 204/2025/QH15” (174/2025/NĐ-CP);
23. “Accounting Standards for Business Enterprises – Basic Standard” (Ministry of Finance Decree No. 33), “Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standard” (Ministry of Finance Decree No. 76).

(III) Appraisal Standards Basis

1. “Basic Standards for Asset Appraisal” (Finance and Assets [2017] No. 43);
2. “Code of Ethics for Asset Appraisal” (CAS [2017] No. 30);
3. “Asset Appraisal Practice Standards – Asset Appraisal Reports” (CAS [2018] No. 35);
4. “Asset Appraisal Practice Standards – Asset Appraisal Procedures” (CAS [2018] No. 36);

5. “Asset Appraisal Practice Standards – Asset Appraisal Methods” (CAS [2019] No. 35);
6. “Asset Appraisal Practice Standards – Asset Appraisal Engagement Contracts” (CAS [2017] No. 33);
7. “Asset Appraisal Practice Standards – Asset Appraisal Files” (CAS [2018] No. 37);
8. “Asset Appraisal Practice Standards – Use of Expert Work and Related Reports” (CAS [2017] No. 35);
9. “Asset Appraisal Practice Standards – Enterprise Value” (CAS [2018] No. 38);
10. “Asset Appraisal Practice Standards – Real Estate” (CAS [2017] No. 38);
11. “Asset Appraisal Practice Standards – Machinery and Equipment” (CAS [2017] No. 39);
12. “Guidelines for State-owned Assets Appraisal Reports of Enterprises” (CAS [2017] No. 42);
13. “Guidelines for Business Quality Control of Asset Appraisal Institutions” (CAS [2017] No. 46);
14. “Guidance on Value Types in Asset Appraisal” (CAS [2017] No. 47);
15. “Guidance on Legal Title of Appraisal Objects” (CAS [2017] No. 48);
16. “Asset Appraisal Expert Guidance No. 13 – Asset Appraisal for Cross-border M&A”.

(IV) Title Basis

1. “Certificate of Land Use Rights, Residential Building Ownership and Ownership of Other Ancillary Assets on Land”;
2. “Land Sublease Contract”;
3. Contracts or vouchers for the acquisition of important assets;
4. Customs clearance documents for imported equipment;
5. Other contracts, accounting documents, financial statements and other information relating to the acquisition and use of the enterprise’s assets.

(V) Pricing Basis

1. Current Vietnamese tax policies and regulations;
2. “Vietnam Construction Budget Norms” (Ministry of Construction of Vietnam Circular No. 12/2021/TT-BXD dated 31 August 2021);
3. “Ministry of Construction of Vietnam 2025 Circular No. 8 on Amendments to Norms” (Ministry of Construction of Vietnam Circular No. 08/2025/TT-BXD dated 30 May 2025);
4. “Circular on Guiding Certain Contents in Determining and Managing Investment Costs of Construction Projects”;
5. Construction contracting contracts entered into by the enterprise with relevant parties;
6. Foreign exchange rates as at the Appraisal Reference Date published by the People’s Bank of China;
7. Vietnamese loan interest rates;
8. On-site inspection records of the appraisers and other relevant valuation information collected;
9. Other information relating to this asset appraisal.

(VI) Other Reference Basis

1. The standard unqualified audit opinion “Audit Report” issued by Baker Tilly China Certified Public Accountants (Special General Partnership) (Report No.: TZY Zi [2026] No. 33733);
2. “Asset Appraisal Standards Terminology 2020” (CAS [2020] No. 31);
3. “Asset Appraisal Expert Guidance No. 8 – Verification and Validation in Asset Appraisal” (CAS [2019] No. 39);
4. Asset list and appraisal declaration forms provided by the appraised entity;
5. Information database of China Enterprise Appraisals Co., Ltd.

VII. APPRAISAL METHODOLOGY

The appraisal methodology adopted for this appraisal is: the asset-based approach.

The income approach refers to the general term for various appraisal methods that determine the value of an appraisal object by capitalising or discounting its expected future income.

The market approach refers to the general term for appraisal methods that determine the value of an appraisal object by comparing it with comparable references, based on the market prices of the comparable references.

The asset-based approach refers to an appraisal method that determines the value of the appraisal object based on the balance sheet of the appraised entity or operating entity as at the Appraisal Reference Date, by appraising the value of identifiable on-balance-sheet and off-balance-sheet assets and liabilities.

The appraisal methodology adopted for this appraisal is: the asset-based approach. The reasons for not adopting the market approach and the income approach are as follows:

As the appraised entity has complete financial data and asset management data available for use, the relevant data and information sources for the replacement cost of assets are extensive, and there is an inherent relationship and substitution between the replacement cost of assets and the current market price and present value of earnings of the assets, the asset-based approach can be adopted for this appraisal.

In accordance with the requirements of the asset appraisal standards regarding the selection of appraisal methods, the selection of appraisal methods should be determined by comprehensive judgement based on the purpose of the appraisal, appraisal object, value type, data collection conditions and the applicability of the methods. Having examined the operating status, historical operating results and future operating data of the appraised entity, it was found that the appraised entity had been incurring sustained losses in recent years, and was unable to obtain the management confirmation regarding the future profit forecasts, capital expenditure plans and working capital forecasts that correspond to the post-divestment asset scope and are supported by sufficient basis for this appraisal. At the same time, the parameters such as the discount rate and industry risk premium in the Vietnamese market are difficult to obtain with sufficient verifiable data. Under the above conditions, the key parameters of the income approach cannot be reliably quantified, and the prerequisites for adopting the income approach are not sufficiently met. Therefore, the income approach was not adopted for this appraisal.

The appraisal object of this appraisal is the total equity interests of an overseas non-listed company, and the appraisal scope is a combination of assets and liabilities after divestment. The appraisers were unable to obtain public transaction cases that are highly comparable to the appraised entity in terms of business structure, asset scope, profitability, geographic location, transaction conditions and divestment arrangements. At the same time, the disclosure of equity transaction information of similar local enterprises in Vietnam is limited, and key factors such as the composition of transaction consideration, whether including buildings and structures, equipment and facilities, and debt assumption arrangements are difficult to verify. The comparable cases and adjustment parameters required for the market approach are insufficient. Therefore, the market approach was not adopted for this appraisal.

Based on the above analysis, the asset-based approach was adopted for this appraisal.

The detailed description of the asset-based approach appraisal is as follows:

(I) Buildings and Structures

1. Method Selection

Based on the relevant conditions such as the purpose of the appraisal, appraisal object, value type and data collection status, as well as the applicability of the appraisal methods, the cost approach was adopted for the market value of the buildings and structures in this appraisal. The reasons are as follows:

(1) Adopted method:

Cost approach: The appraisal object is the buildings and structures on the entire parcel of land. The construction cost data and other related information are readily available. The appraisal object can be assumed to be an independent development and construction project for redevelopment, which meets the application conditions and scope of the cost approach. Therefore, the cost approach is suitable for this appraisal.

(2) Valuation methods not adopted

Market approach: The land on which the appraisal object is located has only been partially developed, and there are few transactions of similar buildings and structures in the area, so the market approach is not suitable for this appraisal.

Income approach: The land on which the appraisal object is located has only been partially developed, and there are few rental transactions of similar buildings and structures in the area, so the income approach was not selected for this appraisal.

Hypothetical development approach: The appraisal object is buildings and structures, which are not land to be developed (raw land, rough land, developed land), or projects under construction, or old buildings that can be renovated, remodelled or have their use changed (including decoration, reconstruction and extension), and are not real estate with investment development or redevelopment potential. Therefore, the hypothetical development approach is not suitable.

2. *Description of the Appraisal Method*

The appraisal method adopted for the declared buildings and structures is the replacement cost approach. The replacement cost approach determines the replacement cost as the sum of all expenses that would be incurred to re-acquire and construct a building with the same use function as the building to be appraised using current construction and decoration materials, construction techniques and processes. At the same time, the comprehensive depreciation rate is determined based on the physical depreciation and functional obsolescence of the building and its useful life. Finally, the appraised value is determined by the product of the replacement cost and the depreciation rate.

The formula for the cost approach is as follows:

$$\text{Appraised Value} = \text{Replacement Cost (exclusive of tax)} \times \text{Comprehensive Depreciation Rate}$$

(1) *Determination of Replacement Cost*

The replacement cost of buildings generally includes: preliminary expenses, construction and installation costs, and capital costs. Based on the data collection, asset conditions and purpose of the appraisal of this engagement, the formula for the replacement cost of buildings is as follows:

$$\text{Replacement Cost (exclusive of tax)} = \text{Construction and Installation Cost} + \text{Preliminary Engineering Expenses} + \text{Capital Costs} - \text{Deductible VAT}$$

① *Construction and Installation Costs*

The construction and installation costs were calculated by re-preparing the budget with reference to the “Vietnam Construction Budget Norms”, the “Ministry of Construction of Vietnam 2025 Circular No. 8 on Amendments to Norms”, the “Circular on Guiding Certain Contents in Determining and Managing Investment Costs of Construction Projects”, as well as the construction contracts, construction drawings and the cost levels of industrial real estate projects in Vietnam provided by the appraised entity, taking into account local material, labour and machinery prices.

② *Preliminary Engineering Expenses*

Preliminary engineering expenses were determined based on the construction investment amount of the appraised entity, with reference to industry practices and the actual circumstances of the appraised entity.

③ *Capital Costs*

Capital costs refer to the loan interest on funds invested during the construction period. The interest period for the appraised buildings and structures is based on the normal construction cycle of the project. The interest rate is calculated with reference to the market loan interest rates in Vietnam. The comprehensive construction and installation cost is used as the base, and interest is calculated on the assumption of even fund input. The interest period is taken as half of the normal construction period. The formula is as follows:

Capital Costs = (Construction and Installation Costs + Preliminary Engineering Expenses) × Reasonable Construction Period × Market Loan Interest Rate × 1/2.

④ *Deductible VAT*

Pursuant to the “Government Decree on Value-Added Tax Reduction Policies Pursuant to National Assembly Resolution No. 204/2025/QH15” promulgated by the Vietnamese government, for items eligible for VAT deduction, the corresponding VAT shall be deducted from the full replacement cost.

Deductible VAT = Construction and Installation Costs ÷ 1.08 × 8% + Preliminary Engineering Expenses ÷ 1.08 × 8%.

(2) Determination of Depreciation Rate

The comprehensive depreciation rate is determined by weighting the results of the useful life method and the observation method with different weights, where the weight of the useful life method is 40% and the weight of the observation method is 60%. That is:

$$\text{Comprehensive Depreciation Rate} = \text{Useful Life Method Depreciation Rate} \times 40\% + \text{Observation Method Depreciation Rate} \times 60\%$$

① Useful Life Method Depreciation Rate

The depreciation rate of the buildings and structures is determined based on the economic useful life, the years already in service and the remaining useful life of the appraised buildings and structures. The formula is as follows:

$$\text{Useful Life Method Depreciation Rate} = \text{Remaining Useful Life} \div (\text{Years Already in Service} + \text{Remaining Useful Life}) \times 100\%$$

② Observation Method Depreciation Rate

The factors affecting the depreciation rate of buildings are mainly divided into structure and installation works. The factors affecting the depreciation rate of structures are divided into structural cushion layer, structural base layer and structural surface layer. The standard scores for each factor of buildings and structures of different structural types are determined based on the extent of impact of each factor on the construction cost. Different scores are assigned based on the inspection findings, and the observation method depreciation rate is determined accordingly.

(3) Determination of Appraised Value

$$\text{Appraised Value} = \text{Replacement Cost (exclusive of tax)} \times \text{Comprehensive Depreciation Rate}$$

(II) Equipment Assets

Based on the characteristics of each type of equipment, the value type, data collection status and other relevant conditions, the cost approach was adopted for equipment assets in this appraisal, with the market approach used for certain items.

1. Cost Approach

The formula for the cost approach is as follows:

$$\text{Appraised Value} = \text{Replacement Cost} \times \text{Comprehensive Depreciation Rate}$$

(1) Determination of Replacement Cost

For equipment requiring installation, the replacement cost generally includes: equipment purchase price, transportation and handling charges, installation costs and capital costs. For equipment not requiring installation, the replacement cost generally includes: equipment purchase price and transportation and handling charges. The formula for the replacement cost of equipment is as follows:

$$\text{Replacement Cost of Equipment Requiring Installation} = \text{Equipment Purchase Price} + \text{Transportation and Handling Charges} + \text{Installation Costs} + \text{Capital Costs}$$

$$\text{Replacement Cost of Equipment Not Requiring Installation} = \text{Equipment Purchase Price} + \text{Transportation and Handling Charges}$$

① Purchase Price

For large and key equipment, the purchase price is mainly determined by consulting the manufacturer for the market price as of the Appraisal Reference Date, or by reference to the contract prices of similar equipment near the Appraisal Reference Date. For small equipment, the purchase price is mainly determined by inquiring market quotation information as of the Appraisal Reference Date. For equipment without market quotation information, the purchase price is mainly determined by reference to the purchase prices of similar equipment or by index adjustment.

② Transportation and Handling Charges

Transportation and handling charges refer to the transport costs, loading and unloading costs, and other miscellaneous expenses incurred during the transportation of the equipment. The formula for transportation and handling charges is as follows:

$$\text{Transportation and Handling Charges} = \text{Equipment Purchase Price} \times \text{Transportation and Handling Rate}$$

③ Installation Costs

Installation costs are determined by reference to the consumption of auxiliary materials, the foundation conditions, the complexity of installation, and with reference to the relevant equipment installation rates in the “Handbook of Common Data and Parameters for Asset Appraisal”. For small equipment that does not require installation, no installation costs are considered.

- ④ Capital costs are determined based on the normal construction period of the overall project, with reference to the refinancing interest rate for the same period published by the State Bank of Vietnam as of the Appraisal Reference Date, using the equipment purchase price as the base and assuming even fund input. The reasonable construction period of the appraised entity’s overall project is 2 years. The formula for capital costs is as follows:

$$\text{Capital Costs} = \text{Equipment Purchase Price} \times \text{Reasonable Construction Period} \times \text{Interest Rate} \times 1/2$$

(2) *Determination of Comprehensive Depreciation Rate*

- ① For machinery and equipment, the remaining useful life is mainly determined based on the economic useful life and the years already in service, through on-site investigation and understanding of the operating conditions and technical condition of the equipment. The comprehensive depreciation rate is then determined according to the following formula.

$$\text{Comprehensive Depreciation Rate} = \text{Remaining Useful Life} / (\text{Remaining Useful Life} + \text{Years Already in Service}) \times 100\%$$

- ② For electronic equipment, the comprehensive depreciation rate is mainly determined based on its economic useful life. For large electronic equipment, the comprehensive depreciation rate is also determined by reference to its working environment, operating conditions and other factors. The formula is as follows:

$$\text{Comprehensive Depreciation Rate} = (\text{Economic Useful Life} - \text{Years Already in Service}) / \text{Economic Useful Life} \times 100\%$$

(3) *Determination of Appraised Value*

$$\text{Appraised Value} = \text{Replacement Cost} \times \text{Depreciation Rate}$$

2. Market Approach

For some electronic equipment, the market approach was applied with reference to secondary-market prices observed on the Appraisal Reference Date.

(III) Right-of-use Assets

Based on the relevant circumstances such as the purpose of the appraisal, appraisal object, value type and data collection status, as well as the applicability of the appraisal methods, the market approach was selected for the appraisal of the land infrastructure usage fees, and the income approach was selected for the appraisal of the annual net land rent.

(IV) Long-term Deferred Expenses

The appraisers investigated and understood the reasons for the incurrence of the long-term deferred expenses, and reviewed the accounting vouchers for the long-term deferred expenses. For the aluminium alloy doors and windows and plasterboard wall construction project, Taiwan banyan trees and landscaping project, and the medium-voltage cable joint replacement project of the appraised entity, these have been appraised in the corresponding buildings (dyeing workshop), site landscaping and equipment, and therefore the appraised value of this portion is 0.

For long-term deferred expenses such as CKS renewal fees, ECA public digital signature certification services, 48-month social security software renewal fees, Vietnam social security system YN0059G46 renewal fees, and CA Basic public digital signature certification service maintenance fees, the verified carrying amounts are taken as the appraised values.

For equipment within the appraisal scope such as air conditioners, printers, computers, trolleys, batteries and lithium battery cells, the cost approach was adopted for this appraisal (same as the cost approach for equipment assets).

(V) Deferred Income Tax Assets

The appraisers investigated and understood that the deferred income tax assets arose from the recognition of deductible temporary differences related to right-of-use assets, and reviewed the relevant accounting provisions for the recognition of deferred income tax assets. The deductible temporary differences are formed when the right-of-use assets are recognised and, under tax laws, the actual amounts incurred are included in taxable income. However, as there are no items that can be reversed in the accounting records when the relevant assets recognise income in the future, the appraised value of the deferred income tax assets is RMB0.00.

(VI) Liabilities

The liabilities of the appraised entity mainly include non-current liabilities due within one year and lease liabilities. The appraisers verified the accounting contents, formation process and amounts of the non-current liabilities due within one year and the lease liabilities, cross-checked the relevant contracts, and finally confirmed the appraised value at the verified carrying amounts.

VIII. IMPLEMENTATION PROCESS AND CIRCUMSTANCES OF THE APPRAISAL PROCEDURES

The appraisers carried out the appraisal of the assets involved in the appraisal object from 6 May 2026 to 17 August 2026. The main implementation process and circumstances of the appraisal procedures are as follows:

(I) Acceptance of Engagement

On 6 May 2026, our company reached an agreement with the principal on the basic matters of the appraisal engagement, including the purpose of the appraisal, appraisal object and appraisal scope, appraisal reference date, as well as the rights and obligations of each party, and negotiated with the principal to formulate the corresponding appraisal plan.

(II) Preliminary Preparation

Upon acceptance of the engagement, the project team formulated a specific appraisal work plan and assembled the appraisal team based on the purpose of the appraisal, characteristics of the appraisal object and the time schedule. At the same time, the list of required information and declaration forms for the appraisal were prepared according to the actual needs of the project.

(III) On-site Investigation

The appraisers conducted necessary verification and confirmation of the assets involved in the appraisal object from 10 May 2026 to 22 May 2026.

1. *Instructing the appraised entity to fill in the forms and prepare the information to be provided to the asset appraisal institution*

The appraisers instructed the financial and asset management personnel of the appraised entity to accurately and carefully fill in the assets within the appraisal scope based on their own asset verification and according to the “Asset Appraisal Detailed List” and its filling requirements and information list provided by the asset appraisal institution, and at the same time to collect and prepare the title documents of the assets and documents reflecting their performance, conditions, economic and technical indicators, etc.

2. *Preliminary review and improvement of the Asset Appraisal Detailed List filled in by the appraised entity*

The appraisers reviewed the relevant information to understand the detailed conditions of the specific assets within the appraisal scope, and then carefully examined each type of “Asset Appraisal Detailed List” to check for incomplete entries, incorrect entries, unclear asset items, etc., and based on experience and the information available, checked the “Asset Appraisal Detailed List” for omissions, etc., and at the same time provided feedback to the appraised entity for improvement of the “Asset Appraisal Detailed List”.

3. *On-site Physical Inspection*

Based on the types, quantities and distribution of the assets within the appraisal scope, the appraisers, with the cooperation of the relevant personnel of the appraised entity, conducted on-site inspections of each asset in accordance with the relevant provisions of the asset appraisal standards, and adopted different inspection methods according to the different nature and characteristics of the assets.

4. *Supplementing, modifying and improving the Asset Appraisal Detailed List*

The appraisers further improved the “Asset Appraisal Detailed List” based on the results of the on-site physical inspection and full communication with the relevant personnel of the appraised entity to ensure that the books, the forms and the actual assets were consistent.

5. *Examination of Title Documents*

The appraisers examined the title documents information of the buildings, machinery and equipment and other assets within the appraisal scope, and reminded the enterprise to verify or issue relevant title explanation documents in cases where the title information documents were incomplete or unclear.

(IV) Data Collection

The appraisers collected appraisal data according to the specific circumstances of the appraisal project, including data independently obtained directly from channels such as the market. The information were obtained from the principal and other relevant parties, and also obtained from government departments, various professional institutions and other relevant authorities; and conducted necessary analysis, summarisation and organisation of the collected appraisal information to form the basis for valuation and estimation.

(V) Valuation and Estimation

The appraisers, in light of the specific circumstances of each category of assets and according to the selected appraisal methods, selected the corresponding formulas and parameters for analysis, calculation and judgement, and formed preliminary appraisal conclusions. The project leader summarised the preliminary appraisal conclusions for each category of assets and drafted the preliminary Asset Appraisal Report.

(VI) Internal Review

Pursuant to the provisions of our company's appraisal business process management measures, the project leader submitted the preliminary Asset Appraisal Report for internal review after its completion. Upon completion of the internal review, communication was conducted with the principal or other relevant parties agreed by the principal regarding the relevant contents of the Asset Appraisal Report, without affecting the independent judgement of the appraisal conclusion. After completing the above asset appraisal procedures, the formal Asset Appraisal Report was issued and submitted.

IX. APPRAISAL ASSUMPTIONS

The assumptions adopted in the analysis and estimation of this Asset Appraisal Report are as follows:

- (I) It is assumed that all appraisal subjects are already in the process of being transacted, and the appraisers estimate their value by simulating the market based on the transaction conditions of the appraised assets;
- (II) It is assumed that there will be no material changes in the political, economic and social environment of the relevant countries and regions subsequent to the Appraisal Reference Date;
- (III) It is assumed that there will be no material changes in the relevant national macroeconomic policies, industrial policies and regional development policies subsequent to the Appraisal Reference Date;

- (IV) It is assumed that there will be no material changes in the relevant interest rates, exchange rates, tax bases and tax rates, and policy-related levies subsequent to the Appraisal Reference Date;
- (V) It is assumed that there will be no material adverse effects caused by force majeure or unforeseeable factors subsequent to the Appraisal Reference Date;
- (VI) It is assumed that the assets within the appraisal scope will continue to be used at their current locations for their original purposes;
- (VII) It is assumed that the assets within the appraisal scope are transacted in the open market, that both parties to the asset transaction are of equal status and have the opportunity and time to obtain sufficient market information, and that the asset transactions are conducted under voluntary, rational and non-compulsory conditions;
- (VIII) No consideration has been given to the impact on the appraisal conclusion of the mortgages and guarantees already in place as at the Reference Date, and the additional prices that may be paid under special transaction methods;
- (IX) The appraisers' on-site inspection of the appraisal object is limited to its appearance and usage conditions, and no tests have been conducted on its internal quality such as its structure. Therefore, it cannot be determined whether there are any inherent defects. This report is prepared on the assumption that the internal quality of the appraisal object complies with the relevant national standards and is sufficient to sustain its normal use.

The appraisal conclusion of this Asset Appraisal Report is established as of the Appraisal Reference Date under the above assumptions. When there are significant changes in the above assumptions, the appraisers and this asset appraisal institution shall not undertake any responsibility for different appraisal conclusions derived from changes in the assumptions.

X. APPRAISAL CONCLUSION

Based on the above appraisal work, the appraisal conclusion is as follows:

As of the Appraisal Reference Date of CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM), the carrying amount of total assets was RMB110,298,500, and the appraised value was RMB241,362,400, representing an appreciation of RMB131,063,900 and an appreciation rate of 118.83%. The carrying amount of total liabilities was RMB709,100, and the appraised value was RMB709,100, with no change in value. The carrying amount of net assets was RMB109,589,400, and the appraised value was RMB240,653,200, representing an appreciation of RMB131,063,800 and an appreciation rate of 119.60%.

The detailed appraisal results under the asset-based approach are set out in the following summary table of appraisal results:

Appraisal Reference Date: 30 April 2026

Monetary Unit: RMB10,000

		Carrying Amount	Appraised Value	Appreciation/Depreciation	Appreciation Rate%
Item		A	B	C=B-A	D=C/A×100
Fixed Assets	1	8,214.68	11,407.40	3,192.72	38.87
Right-of-use Assets	2	2,799.12	12,711.02	9,911.90	354.11
Long-term Deferred Expenses	3	15.18	17.82	2.64	17.41
Deferred Income Tax Assets	4	0.87	0.00	-0.87	-100.00
Total Assets	5	11,029.85	24,136.24	13,106.39	118.83
Current Liabilities	6	0.66	0.66	0.00	0.00
Non-current Liabilities	7	70.26	70.26	0.00	0.00
Total Liabilities	8	70.91	70.91	0.00	0.00
Net Assets	9	10,958.94	24,065.32	13,106.38	119.60

Based on the Renminbi central parity rate of US\$1:RMB6.8628 on 30 April 2026 announced by the China Foreign Exchange Trade System, the total equity value of the shareholders of Lian-Ta-Hsing Company Limited (Vietnam) as at the Reference Date is equivalent to US\$35.0663 million.

XI. EXPLANATIONS ON SPECIAL MATTERS

The following are matters identified during the appraisal process that may affect the appraisal conclusion but are beyond the appraisers' professional competence to assess and estimate:

- (I) In this Asset Appraisal Report, if there are any rounding differences between the totals and the sum of the individual items in any table or textual presentation expressed in RMB10,000, they are due to rounding.
- (II) This appraisal has made use of the audit report (TZY Zi [2026] No. 33733) issued by Baker Tilly China Certified Public Accountants (Special General Partnership) on 17 August 2026. We obtained the audit report through legal channels, and after analysing and assessing the audit report used in accordance with the relevant provisions of the asset appraisal standards, we prudently utilised the relevant contents of the audit report. The audited financial data in the audit report we used is the basis of the asset

appraisal. If such financial data changes, the appraisal conclusion of this appraisal may become invalid. In accordance with Article 12 of the “Asset Appraisal Practice Standards – Enterprise Value”: The asset appraisal professionals have analysed and assessed the financial statements based on the requirements of the adopted appraisal methods, but it is not the responsibility of the asset appraisal professionals to express professional opinions on whether the relevant financial statements fairly reflect the financial position, operating results and cash flows for the period as of the Appraisal Reference Date. We only undertake the relevant citation liability for any possible improper citation in the process of using the audit report.

(III) As of the Appraisal Reference Date of 30 April 2026, CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) had current assets such as monetary funds, accounts receivables, various inventories and prepayments recorded on its books, as well as accounts payables, bank loans, shareholder loans, employee remuneration payables and various taxes and fees, while it also had long-term assets such as land use rights, buildings and machinery and equipment. Pursuant to the “Agreement on the Confirmation of the Scope of Assets and Liabilities and the Responsibilities for Asset Divestment”, the pricing of this equity acquisition is based solely on the long-term core operating assets such as land, factories and machinery and equipment. All current assets and all liabilities as of the Reference Date are not included in the appraisal scope. The auditor prepared the simulated divestment balance sheet in accordance with the aforementioned agreement, reclassifying right-of-use assets in accordance with lease accounting standards and concurrently recognising non-current liabilities due within one year and lease liabilities. The on-site inventory count, asset verification and value calculation were all carried out within the scope defined by the simulated statements, and no verification or value calculation work was conducted on the current assets and liabilities that are required to be divested under the agreement. As of the date of issuance of this report, the divestment and derecognition of the above current assets and liabilities have been completed.

(IV) The pricing of this equity acquisition is based on the long-term core operating assets such as land, factories and machinery and equipment. All current assets and all liabilities as of the Appraisal Reference Date are not included in the appraisal scope. The appraisal scope is determined with reference to the audit report. Any provisions that may arise from the transaction shall be addressed by adjusting the transaction consideration accordingly to reflect the actual asset and liability position.

- (V) On 5 June 2021, to obtain a loan of US\$5 million, CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) provided the following guarantees to CUB Bank in the form of personal guarantees, mortgage of land property and pledge of accounts receivables: firstly, the land use rights and future factory buildings, with the land use rights of 152,903.4 square metres located in Tay Ninh Province, Vietnam, and the 15 factory buildings and other structures planned to be constructed on the land (with a total gross floor area of approximately 62,855.26 square metres) as collateral; secondly, funds in bank accounts, with the pledge of the borrower's time deposit accounts and all deposits opened with INDOVINA BANK LTD; thirdly, accounts receivables, with the pledge of all accounts receivables arising from the borrower's existing and future operations (including receivables under major contracts, etc.); and fourthly, joint and several guarantees by three natural persons, with irrevocable and unconditional joint and several guarantees provided by three natural persons from Taiwan, Kao, Wen-Cheng, Lee, Li-Hsen and Chiou, Shiou-Fei, and the bank may directly demand payment from the guarantors without first seeking recourse from the borrower. The above guarantees are all governed by Vietnamese law, and disputes are subject to the jurisdiction of the Vietnamese courts.

As at the date of issuance of this report, the aforementioned loans had been fully settled, and CÔNG TY TNHH LIAN-TA-HSING (VIỆT NAM) had completed the mortgage deregistration procedures in respect of the land and factory buildings.

- (VI) In accordance with the “Asset Appraisal Law”, the relevant appraisal standards and the “Guidance on Legal Title of Appraisal Objects”, when the principal and the relevant parties entrust an asset appraisal engagement, they should be responsible for the authenticity, completeness and legality of the title certificates, financial accounting information and other materials provided by them. The purpose of carrying out the asset appraisal engagement is to estimate the value of the appraisal object and to express a professional opinion. Confirming or expressing an opinion on the legal title of the appraisal object is beyond the scope of practice of asset appraisal professionals. Asset appraisal professionals do not provide any guarantee on the legal title of the appraisal object.
- (VII) Owing to objective conditions, the asset appraisal professionals were unable to conduct physical inspection of concealed work. The verification of such work was conducted solely through the relevant information provided by the appraised entity.

- (VIII) If significant events occur subsequent to the Appraisal Reference Date, such as exchange rate fluctuations, major national policy adjustments, material changes in the title or quantity or value of the enterprise's assets, etc., which may have a material impact on the appraisal results, the users of this report shall not directly use this appraisal conclusion and should consider whether the Appraisal Reference Date or the appraisal results have been reasonably adjusted.
- (IX) This appraisal involves conversion among Vietnamese Dong, US Dollar and Renminbi. The Appraisal Reference Date is 30 April 2026, and the appraisal report and detailed appraisal schedules are presented in Renminbi. As the China Foreign Exchange Trade System did not publish the official central parity rate of Renminbi against Vietnamese Dong on the Appraisal Reference Date, the exchange rate used in this appraisal is based on the Bank of China's conversion rate published on 30 April 2026, which is RMB0.026 per 100 VND. The exchange rate of US Dollar against Renminbi is based on the central parity rate published by the China Foreign Exchange Trade System on 30 April 2026, which is USD1: RMB6.8628.
- (X) The appraisal conclusion of this report is denominated in RMB. For easy reference of the users, the appraised value in RMB is translated into US\$ based on the Renminbi central parity rate of US\$1:RMB6.8628 on 30 April 2026 announced by the China Foreign Exchange Trade System on the Reference Date. The amount in US\$ is for reference only. Due to rounding for translation into foreign currency, there is a small rounding difference after the translation of amounts in US\$ back to RMB, which is a result of calculation and rounding and does not affect the formal appraisal conclusion in RMB.

Users of the Asset Appraisal Report should pay attention to the impact of the above special matters on the appraisal conclusion.

XII. LIMITATIONS ON THE USE OF THE ASSET APPRAISAL REPORT

(I) Scope of Use of the Asset Appraisal Report

1. The users of the Asset Appraisal Report are: the principal and the users of the Asset Appraisal Report as prescribed by national laws and administrative regulations.
2. The appraisal conclusion set out in the Asset Appraisal Report is only valid for the economic activity corresponding to this project.
3. The validity period for the use of the appraisal conclusion of the Asset Appraisal Report is one year from the Appraisal Reference Date. The principal and other users of the Asset Appraisal Report shall use the Asset Appraisal Report within the stated validity period of use of the appraisal conclusion.

4. Without the written consent of the principal, the asset appraisal institution and its asset appraisal professionals shall not provide or disclose the contents of the Asset Appraisal Report to any third party, except as otherwise provided by laws and administrative regulations.
 5. Without the consent of the asset appraisal institution, the contents of the Asset Appraisal Report shall not be extracted, quoted or disclosed in the public media, except as otherwise provided by laws and administrative regulations or agreed by the relevant parties.
- (II) If the principal or other users of the Asset Appraisal Report use the Asset Appraisal Report in violation of laws, administrative regulations and the scope of use specified in the Asset Appraisal Report, the asset appraisal institution and its asset appraisal professionals shall not undertake any liability.
- (III) No other institutions or individuals other than the principal, the other users of the Asset Appraisal Report as stipulated in the Asset Appraisal Engagement Contract, and the users of the Asset Appraisal Report as prescribed by laws and administrative regulations shall be users of the Asset Appraisal Report. This Asset Appraisal Report contains a number of appendices and detailed appraisal schedules. All appendices and detailed appraisal schedules also constitute important components of this report, but they shall only be effective when using together with the main text of this report.
- (IV) If this report is used for purposes beyond the scope of use, such as being presented to or accessed by non-users of the Asset Appraisal Report through other channels, this asset appraisal institution and the appraisers shall not assume any obligation or liability in respect thereof, shall not provide further consultation by reason of this report, nor shall they provide testimony or attend hearings in court or other legal proceedings, and reserve the right to seek compensation from non-users of the Asset Appraisal Report for any losses caused thereby.
- (V) Users of the Asset Appraisal Report shall correctly understand and use the appraisal conclusion. The appraisal conclusion is not equivalent to the realisable price of the appraisal object, and the appraisal conclusion should not be deemed as a guarantee of the realisable price of the appraisal object.
- (VI) The Asset Appraisal Report refers to a professional report issued by the asset appraisal institution on the value of the appraisal object for a specific purpose as of the Appraisal Reference Date, after the asset appraisal institution and its asset appraisal professionals have complied with the requirements of laws, administrative regulations and asset appraisal standards, and performed the necessary appraisal procedures in accordance with the engagement. This report shall be signed by the appraisers undertaking the appraisal engagement and affixed with the seal of the asset appraisal

institution, and shall be filed with the state-owned assets supervision and administration authority or the capital-contributing enterprise before it can be formally used.

XIII. DATE OF THE ASSET APPRAISAL REPORT

The date of issuance of this Asset Appraisal Report is 17 August 2026.

Appraiser:

Appraiser:

Legal Representative:

China Enterprise Appraisals Co., Ltd.

17 August 2026

Appendices to the Asset Appraisal Report

Appendix I.	Economic activity documents corresponding to the appraisal purpose;
Appendix II.	Special audit report of the appraised entity;
Appendix III.	Business licences of the principal and the appraised entity;
Appendix IV.	Enterprise property rights registration form of the principal;
Appendix V.	Principal title documents relating to the appraisal object;
Appendix VI.	Letters of undertaking of the principal and other relevant parties;
Appendix VII.	Letters of undertaking of the signing appraisers;
Appendix VIII.	Asset appraisal qualification certificate and filing announcement of China Enterprise Appraisals Co., Ltd.;
Appendix IX.	Copies of the formal practising membership certificates of the asset appraisers;
Appendix X.	Asset Appraisal Engagement Contract.
Appendix XI.	Summary table and detailed schedules of asset appraisal results.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the 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) (i) which were 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 in which they were deemed or taken 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name	Capacity	Nature of interests	Number of	Total number	Approximate
			Shares held	of Shares held	percentage of
			Shares (L)	Shares (L)	issued Shares
			(Note 1)	(Note 1)	(%)
Dr. YEN Gordon	Beneficial owner	Personal interest	8,380,000	8,380,000	0.68
Mr. YAU Hang Tat Andrew	Beneficial owner	Personal interest	2,508,000	2,888,000	0.24
	Spouse's interests	Family interest	380,000		
			(Note 2)		

Notes:

- (1) The letter “L” denotes the Director's long position in the Shares.
- (2) Mr. YAU Hang Tat Andrew is deemed to be interested in 380,000 Shares held by his spouse under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Capacity	Nature of interests	Number of Shares held <i>Shares (L)</i> <i>(Note 1)</i>	Total number of Shares held <i>Shares (L)</i> <i>(Note 1)</i>	Approximate percentage of issued Shares <i>(%)</i>
COFCO	Interest of controlled corporations	Corporate interest	489,814,000 <i>(Notes 2 and 3)</i>	489,814,000	39.98
Chinatex Corporation Limited ("Chinatex")	Interest of controlled corporations	Corporate interest	489,814,000 <i>(Notes 2 and 3)</i>	489,814,000	39.98
Chinatex Yieldfull Investment Co., Ltd. ("Yieldfull")	Beneficial owner	Corporate interest	409,036,000 <i>(Note 2)</i>	409,036,000	33.39
Chinatex (H.K.) Holding Limited ("Chinatex (H.K.)")	Beneficial owner	Corporate interest	80,778,000 <i>(Note 3)</i>	80,778,000	6.59
Mr. SUN Weiting ("Mr. SUN")	Interest of controlled corporations	Corporate interest	211,966,000 <i>(Note 4)</i>	211,966,000	17.30
Ms. CHEN Lingfen ("Ms. CHEN")	Interest of controlled corporations	Corporate interest	211,966,000 <i>(Note 4)</i>	211,966,000	17.30

Name	Capacity	Nature of interests	Number of Shares held <i>Shares (L)</i> <i>(Note 1)</i>	Total number of Shares held <i>Shares (L)</i> <i>(Note 1)</i>	Approximate percentage of issued Shares <i>(%)</i>
Huafu Holding Co., Ltd. (“ Huafu Holding ”)	Interest of controlled corporations	Corporate interest	211,966,000 <i>(Note 4)</i>	211,966,000	17.30
Huafu Fashion Co., Ltd. (“ Huafu Fashion ”)	Interest of controlled corporations	Corporate interest	211,966,000 <i>(Note 4)</i>	211,966,000	17.30
Mr. HA Chung Fong (“ Mr. HA ”)	Beneficial owner	Personal interest	81,060,948 <i>(Note 5)</i>	81,060,948	6.62
Ms. TANG Kuen Mui (“ Ms. TANG ”)	Spouse’s interests	Family interest	81,060,948 <i>(Note 5)</i>	81,060,948	6.62

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Yieldfull is a wholly-owned subsidiary of Chinatex and Chinatex is a wholly-owned subsidiary of COFCO. Therefore, each of Chinatex and COFCO is deemed to be interested in the Shares held by Yieldfull under the SFO.
- (3) Chinatex (H.K.) is a wholly-owned subsidiary of Chinatex and Chinatex is a wholly-owned subsidiary of COFCO. Therefore, each of Chinatex and COFCO is deemed to be interested in the Shares held by Chinatex (H.K.) under the SFO.
- (4) Hong Kong Tin Shing Trading Limited (“**Tin Shing**”) held 211,966,000 Shares as beneficial owner. Tin Shing is a wholly-owned subsidiary of Huafu HK Co. Limited (“**Huafu HK**”). Huafu HK is a wholly-owned subsidiary of Shenzhen Huafu Import and Export Co., Ltd. (“**Shenzhen Huafu**”) and Shenzhen Huafu is a wholly-owned subsidiary of Huafu Fashion. Huafu Fashion is owned as to 29.50% by Huafu Holding and Huafu Holding is owned as to 50% by each of Mr. SUN and Ms. CHEN. Therefore, each of Huafu HK, Shenzhen Huafu, Huafu Fashion, Huafu Holding, Mr. SUN and Ms. CHEN is deemed to be interested in the Shares held by Tin Shing under the SFO.
- (5) Ms. TANG, spouse of Mr. HA, is deemed to be interested in the Shares held by Mr. HA under the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or 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.

3. DIRECTOR'S COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective close associates (as defined in the Listing Rules) was considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any interest, directly or indirectly, in any asset which has, since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting entered into by any member of the Group subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date, which are or may be material:

- (a) the Lease Agreement;
- (b) the Equity Transfer Agreement; and
- (c) the Asset Divestment Agreement.

8. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. EXPERTS AND CONSENT

The qualifications of the experts who have been named in this circular or have given opinions or advice which are contained herein are set out below:

Name	Qualifications
Donvex Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Baker Tilly Hong Kong Limited	Certified Public Accountants
China Enterprise Appraisals Co., Ltd.	Independent valuer in the PRC

As at the Latest Practicable Date, each of the experts named above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

10. GENERAL

- (a) The registered office and principal place of business of the Company is situated at Block A, 6/F., Eastern Sea Industrial Building 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.
- (b) The company secretary of the Company is Ms. HU Rukun. Ms. HU is a holder of the legal professional qualification of China Board Secretary Qualifications issued by the Shanghai Stock Exchange and the Shenzhen Stock Exchange, as well as the data trading broker qualification awarded by the talent exchange center of the Ministry of Industry and Information Technology of China. Ms. HU is also a fellow member of the Chartered Governance Institute UK & Ireland and the Hong Kong Chartered Governance Institute (the “**HKCGI**”) and holds the ESG reporting certificate issued by the HKCGI.
- (c) The Company’s share registrar is Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.
- (d) All references to times and dates in this circular refer to Hong Kong times and date.
- (e) The English text of this circular shall prevail over its Chinese text.

11. DOCUMENTS ON DISPLAY

The following documents will be published on the website on the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.fshl.com/en/>) for a period of no less than 14 days commencing from the date of this Circular,

- (i) the 2029 Financial Services Agreement;
- (ii) the Asset Divestment Agreement;
- (iii) the Equity Transfer Agreement;
- (iv) the accountant’s report on historical financial information of the Target Company, the text of which is set out in Appendix II to this circular;
- (v) the report on the compilation of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (vi) the valuation report on the Target Company, the text of which is set out in Appendix V to this circular; and
- (vii) the letters of consent referred to in the paragraph headed “9. Experts and Consent” in this appendix.

NOTICE OF EGM



福田實業(集團)有限公司
Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability) (Stock Code: 420)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**” or the “**Meeting**”) of Fountain Set (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Block A, 6th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Thursday, 29 October 2026 at 10:30 a.m., or the adjournment thereof, for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Equity Transfer Agreement (as defined in the circular of the Company dated 5 October 2026 (the “**Circular**”)) relating to the acquisition of 81% capital contribution interest in Công Ty TNHH Lian-Ta-Hsing (Việt Nam) by Ocean Textile Investment Pte. Limited from Lian-Ta-Hsing International Co., Ltd, the form and substance thereof and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the Asset Divestment Agreement (as defined in the Circular) relating to the determination of the scope of assets and liabilities and the obligations arising from the divestment of assets, the form and substance thereof and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors of the Company (the “**Directors**”) be and are hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he/she/they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Equity Transfer Agreement and the Asset Divestment Agreement, and the transactions contemplated thereunder.”

NOTICE OF EGM

2. “**THAT**

- (a) the 2029 Financial Services Agreement (as defined in the Circular) relating to the deposit and related services (the “**Deposit Services**”), the form and substance thereof and the provision of the Deposit Services by COFCO Finance Company Limited to the Group pursuant to the 2029 Financial Services Agreement subject to the annual caps (the “**Deposit Annual Caps**”) as described in the Circular, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the Directors be and are hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he/she/they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the 2029 Financial Services Agreement (relating to the Deposit Services) and the transactions of the Deposit Services contemplated thereunder (including the Deposit Annual Caps).”

By order of the Board
Fountain Set (Holdings) Limited
XI Qiang
Chairman

Hong Kong, 5 October 2026

Registered Office:

Block A, 6th Floor
Eastern Sea Industrial Building
29-39 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

Notes:

- 1. Any member of the Company (the “**Member**” or “**Shareholder**”) entitled to attend and vote at the Meeting is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and vote instead of him/her/it. A proxy need not be a Member.
- 2. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company’s share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours (excluding any public holiday in Hong Kong) before the time appointed for the holding of the Meeting or the adjournment thereof.

NOTICE OF EGM

3. The register of members of the Company (the “**Register of Members**”) will be closed from Monday, 26 October 2026 to Thursday, 29 October 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, the non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company’s share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 October 2026. The record date for determining the eligibility of the Shareholders for attending and voting at the EGM is Thursday, 29 October 2026.
4. At the Meeting, the chairman of the Meeting will exercise his power under article 73 of the articles of association of the Company to put all the resolutions set out in this notice to be voted by way of poll as required under the Listing Rules. On a poll, every Member present in person (or in the case of the corporation by its corporate representative) or by proxy shall have one vote for each Share of which he/she/it is the holder.
5. Completion and return of the form of proxy will not preclude a Member from attending and voting in person at the Meeting or the adjournment thereof should the Member so wish and in such event, the authority of the proxy shall be deemed to be revoked.
6.
 - (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No.8 or above is expected to be hoisted or an announcement of “extreme conditions” by the government of Hong Kong or a black rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the Meeting, the Meeting will be postponed and Members will be informed of the date, time and venue of the postponed Meeting by a supplemental notice posted on the respective websites of the Company and the Stock Exchange.
 - (b) If a tropical cyclone warning signal No.8 or above or an announcement of “extreme conditions” by the government of Hong Kong or a black rainstorm warning signal is lowered or cancelled 3 hours or more before the time appointed for holding the Meeting and where conditions permit, the Meeting will be held as scheduled.
 - (c) The Meeting will be held as scheduled when a tropical cyclone warning signal No.3 or below or an amber or red rainstorm warning signal is in force.
 - (d) After considering their own situations, Members should decide on their own whether or not they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the Latest Practicable Date, the Board comprises 5 executive Directors, namely Mr. XI Qiang (Chairman), Dr. LI Gang (Chief Executive Officer), Mr. YAU Hang Tat Andrew, Mr. YIN Jian, and Mr. ZHANG Zheng; 2 non-executive Directors, namely Dr. YEN Gordon (Non-executive Vice Chairman) and Ms. ZHOU Jing; and 4 independent non-executive Directors, namely Mr. NG Kwok Tung, Mr. YING Wei, Mr. WONG Kwong Chi and Dr. LIN Lin.