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TIAN CHANG GROUP HOLDINGS LTD.

天 長 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2182)

**SUPPLEMENTAL CIRCULAR TO
THE CIRCULAR TO THE SHAREHOLDERS DATED 25 AUGUST 2026
MAJOR TRANSACTION
CONSTRUCTION AGREEMENT IN RELATION TO
THE CONSTRUCTION OF A NEW MANUFACTURING PLANT FOR
ADVANCED MATERIALS AND SEMI-SOLID MAGNESIUM ALLOY
INJECTION MOULDING (MAGNESIUM THIXOMOLDING)**

This supplemental circular should be read in conjunction with the circular of the Company dated 25 August 2026 in relation to, among other things, the entering into of the Construction Agreement (“**Circular**”).

Unless otherwise set out in this supplemental circular or the context requires otherwise, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in the Circular.

A letter from the Board is set out on pages 2 to 18 of this supplemental circular.

The transaction being the subject matter of the Circular and this supplemental circular has been approved by written Shareholders’ approval pursuant to the Listing Rules and this supplemental circular is being despatched to the Shareholders for information only.

13 October 2026

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DEFINITIONS

In this supplemental circular, unless the context otherwise requires, the following expressions have the following meanings. All other capitalised terms used in this supplemental circular have the same meanings as those defined in the Circular, and in the event of any inconsistency between this supplemental circular and the Circular, this supplemental circular shall prevail.

“CNC”	computer numerical control
“Extended Manufacturing Capability”	the Group’s extended manufacturing capability in semi-solid magnesium alloy injection moulding (Magnesium Thixomolding), as described in this supplemental circular
“New Manufacturing Facility”	the factory premises, staff quarters, warehouses and ancillary buildings to be constructed on the Land pursuant to the Construction Agreement

The translations between RMB and HK\$ throughout this supplemental circular are based on the exchange rate of RMB1 to HK\$1.162 and are provided for information purposes only. Certain amounts and percentages in this supplemental circular have been subject to rounding adjustments; accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

* *For identification purpose only*

LETTER FROM THE BOARD



TIAN CHANG GROUP HOLDINGS LTD.

天長集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2182)

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Hong Kong

13 October 2026

To the Shareholders,

Dear Sir or Madam,

**SUPPLEMENTAL CIRCULAR TO
THE CIRCULAR TO THE SHAREHOLDERS DATED 25 AUGUST 2026**

**MAJOR TRANSACTION
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INTRODUCTION

Reference is made to the Circular of the Company dated 25 August 2026 in relation to the Construction Agreement.

LETTER FROM THE BOARD

The purpose of this supplemental circular is to provide you with, among other things, supplemental information regarding the basis of the Consideration and the reasons for and benefits of entering into the Construction Agreement, and to update the Shareholders on the Group's Extended Manufacturing Capability.

SUPPLEMENTAL INFORMATION REGARDING THE BASIS OF THE CONSIDERATION

The Board wishes to provide the following supplemental information regarding the basis of the Consideration and the tendering process as set out in the Circular.

(i) Details of the Factors Considered by the Board in Determining the Consideration

The Board considered the following factors in determining that the Consideration of approximately RMB149.3 million (approximately HK\$173.5 million) was fair and reasonable:

(a) *Budgetary Estimate*

Internal Feasibility Study

Based on the Company's internal feasibility study in respect of the New Manufacturing Facility, and as approved by the Board, the Group has allocated approximately RMB150 million (approximately HK\$174.3 million) for the construction of the New Manufacturing Facility under the Construction Agreement.

Such allocation represented the Group's own internal budget for the construction works under the Construction Agreement, and was determined by reference to the scale, specifications and quality of the works required for a purpose-built magnesium alloy processing facility.

(1) Scale of the works

The scale of the construction works was determined by reference to the total planned gross floor area of approximately more than 82,000 sq. metres, including but not limited to two factory buildings, two staff quarters, two warehouses and ancillary building and facilities. The feasibility study also set out the planned production scale of approximately 19.80 million pieces per annum of magnesium alloy castings and profiles, together with the associated raw material consumption, utility consumption and site requirements. The Board considered that the scale of the works was commensurate with the Group's planned production capacity under the Extended Manufacturing Capability.

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(2) Specifications of the works

The specifications of the construction works were determined by reference to the specialised requirements for magnesium alloy processing. Magnesium alloy is a specialised advanced material which requires stringent safety, fire prevention, storage, handling and process-control measures, and its processing is generally not suitable for conventional factory premises without dedicated infrastructure and safety systems. Accordingly, the specifications adopted for the internal budget included:

- fire-resistant and non-combustible construction and segregation of high-risk areas, including the Thixomolding, machining, dust collection and magnesium scrap storage areas;
- dedicated dust collection systems designed for combustible metal dust, together with explosion protection and isolation measures, explosion venting devices, inerting systems and spark detection and elimination systems;
- wet-type dust collection systems where appropriate, and enhanced ventilation to keep dust concentrations below the lower explosive limit;
- a workshop layout in which the polishing and finishing workshop is located in the centre of the factory complex to enhance safety separation;
- electrical safety measures, including grounding and bonding and suitable protection for equipment in areas where combustible dust may be present; and
- fire detection and emergency response systems, together with firefighting equipment and extinguishing agents suitable for metal fires.

The Board considered that these specifications were necessary for the safe, compliant and efficient handling and processing of magnesium alloy, and that the internal budget made appropriate provision for the additional construction costs associated with such specifications as compared with conventional industrial premises.

(3) Quality of the works

The quality of the works was determined by reference to:

- the technical, safety, fire protection and environmental requirements applicable to the New Manufacturing Facility, including the design principles and measures for factory safety and factory hygiene, the safety assessment carried out for the project and the applicable national safety production specification for magnesium alloy die casting production, the applicable fire protection requirements and the applicable environmental protection requirements and standards;

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- the production equipment intended to be installed, including semi-solid magnesium alloy injection moulding machines, CNC machining centres, trimming hydraulic presses, automatic sandblasting machines, automatic polishing machines, automatic spray coating equipment, automatic cleaning and passivation machines, metal stamping presses and quality inspection instruments, and the Board considered that the works needed to be constructed to a quality sufficient to support the installation and operation of such equipment and the manufacturing quality that the New Manufacturing Facility is designed to achieve; and
- the Group's intention to use the New Manufacturing Facility as a long-term production base for its advanced materials and Magnesium Thixomolding capabilities.

The internal budget was calculated by reference to the applicable national standards and pricing bases for construction works, including the Code for Preparation and Examination of Investment Estimates of Construction Projects (《建設工程投資估算編審規程》)(CECA/GC1-2015) and the Standards for Bills of Quantities and Valuation for Construction Works (《建設工程工程量清單計價標準》)(GB/T 50500-2024), after taking into consideration the aforementioned requirements. The Board considered that the internal budget of approximately RMB150 million appropriately reflected the quality of works required, and was determined on a lump-sum basis consistent with the scale and specifications described above.

Construction Budgetary Fee Estimate

In March 2026, separately and prior to the commencement of the tender process, the Group engaged Zhong He Yi Engineering Design Company Limited* (中合一工程設計有限公司) (“**Zhong He Yi**”), an Independent Third Party design company to prepare the design submission documents, construction drawings and electronic files for the New Manufacturing Facility. The design company holds a Grade A Urban and Rural Planning Formation Qualification Certificate (城鄉規劃編製資質證書甲級) and an Engineering Design Qualification Certificate (工程設計資格證書).

The design particulars prepared by Zhong He Yi were provided to Guangdong Tuoshi Engineering Consulting Co., Ltd.* (廣東拓實工程諮詢有限公司) (“**Tuoshi**”), an Independent Third Party engineering consulting firm in the PRC with experience in providing engineering cost consultancy services, including the preparation and review of construction budgets and cost estimates, and with a clientele comprising government authorities, state-owned enterprises and listed companies. The estimate was prepared and reviewed by qualified engineers of Tuoshi and was approved by Mr. Zhong Shi (鍾實), the chairman of Tuoshi and a Class 1 Registered Cost Engineer of the PRC (中華人民共和國一級註冊造價工程師) with over 20 years of experience in engineering cost consultancy.

Tuoshi issued a construction budgetary fee estimate containing the fee estimate breakdown for each category of works, including building and decorative works, electrical and plumbing and drainage installation works, fire services installation works and other items, with each category further supported by a detailed breakdown of the fee estimate for the particular works within that category.

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The construction budgetary cost estimate was prepared based on, among others, the scope allocation for the main construction works, geotechnical investigation report, design drawings and relevant project consultation documents provided by the Group. The estimate was prepared principally by reference to the applicable national and Guangdong provincial standards and pricing bases for construction works, including the Standard for Bills of Quantities and Valuation for Construction Works (《建設工程工程量清單計價標準》) (GB/T 50500-2024), the relevant national standards for measurement of building, decoration and installation works, and the Guangdong Province construction pricing bases and comprehensive quotas (2018 edition).

In determining the material costs, Tuoshi principally adopted the material prices published in the March 2026 issue of the Huizhou Engineering Cost Information (《惠州工程造價信息》), and for materials not covered by such published pricing information, the prices were determined based on market quotations for reference brands. The estimate also incorporated the applicable cost parameters for civil and installation works, including costs relating to safe production, civilized construction, environmental protection and temporary facilities, and labour and construction machinery costs. No budget lump-sum fee was included.

Where certain details were not specified in the design drawings, Tuoshi adopted assumptions based on responses from the Zhong He Yi and the Group. Key assumptions included, among others, an earthwork transportation distance of 6 km, the use of the average of the specified design ranges for the lengths of precast piles, and certain assumptions regarding the quantities of electrical and installation works where the relevant design details had not yet been finalised. Such items are subject to adjustment based on the actual works upon settlement.

Having regard to the Group's internal budget for the works, the above internal cost estimate and the other factors set out in the Circular and in this supplemental circular, the Directors formed the view that a consideration at or below approximately RMB150 million would be commercially reasonable.

(b) Background, Capacity, Qualifications and Experience of Guangdong Zhongfu

The Board conducted due diligence on Guangdong Zhongfu's background, capacity, qualifications and experience. The Board considered that Guangdong Zhongfu is principally engaged in, and has the valid business licence in, the business of, amongst others, building construction, design of building intelligent systems, construction project supervision, geological disaster control engineering supervision, construction project quality inspection, construction labour subcontracting, installation, modification and repair of special equipment and electrical installation services.

The Board also considered that Guangdong Zhongfu has relevant experience in managing the construction of factories of similar magnitude in the PRC taking into account its involvement in the following ongoing or completed projects: (i) a precision mould and components manufacturing production plant construction project (total cost: approximately RMB137 million (approximately HK\$159.2 million)); (ii) an energy-saving and environmental protection new materials production plant construction project (total cost: approximately RMB121.5 million (approximately HK\$141.2 million)); and (iii) a new energy storage system equipment manufacturing project (total cost: approximately RMB212.9 million (approximately HK\$247.4 million)).

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In view of the above, the Board was of the view that Guangdong Zhongfu has appropriate and sufficient background, capacity, qualifications and experience to act as the main contractor and deliver the construction works required under the Construction Agreement.

(ii) Construction Qualifications held by Guangdong Zhongfu and its Subcontractors

Guangdong Zhongfu is the named contractor in the construction works commencement permit granted by the Huizhou Huicheng District Housing and Urban-Rural Development Bureau* (惠州市惠城區住房和城鄉建設局) in relation to the construction works to be conducted on the Land pursuant to the Construction Agreement.

Guangdong Zhongfu holds the relevant construction qualifications and licences required under applicable PRC laws and regulations to undertake the construction works, it holds the Second Grade Main Contractor for Construction Works (建築工程施工總承包二級). Guangdong Zhongfu has also engaged qualified subcontractors, which hold the following qualifications: Second Grade Professional Contractor for Foundation Construction Works (地基基礎工程專業承包二級), First Grade Professional Contractor for Steel Structure Construction Works (鋼結構工程專業承包一級); Second Grade Main Contractor for Construction Works (建築工程施工總承包二級); Second Grade Professional Contractor for Steel Structure Construction Works (鋼結構工程專業承包二級); Second Grade Professional Contractor for Fire Protection Facilities Construction Works (消防設施工程專業承包二級); Second Grade Professional Contractor for Building Curtain Wall Construction Works (建築幕牆工程專業承包二級); and First Grade Lightweight Steel Structure Engineering Design and Construction qualification (輕型鋼結構工程設計與施工一級).

Each of the above subcontractors holds the requisite qualifications under the laws of the PRC to undertake their respective scope of construction works under the Construction Agreement. Guangdong Zhongfu, as the main contractor, is responsible under the Construction Agreement for supervising and coordinating the works of its subcontractors and for ensuring compliance with all applicable laws and regulations.

(iii) Independence of the Other Bidder

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the other bidder for the construction of the New Manufacturing Facility (being the bidder that submitted the tender price of approximately RMB166.2 million (approximately HK\$193.2 million)) and its ultimate beneficial owners are Independent Third Parties (i.e. third parties independent of the Company and its connected persons).

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(iv) Board's Assessment of the Tendering Process

The Board has assessed the tendering process and considers it to be fair, reasonable and effective in identifying the suitable contractor and determining the Consideration for the following reasons:

(a) Competitive Process

The construction works under the Construction Agreement were put out to tender. The Group identified and invited a number of contractors in the PRC which it considered to have the qualifications, capacity and experience necessary for the construction of a purpose-built magnesium alloy processing facility, and each invited contractor was provided with the same scope of works and tender documentation. Two tenders were received. The fact that only two tenders were received reflected the specific technical requirements of the project (including the specialised nature of the construction works for magnesium alloy processing facilities) and the prevailing market conditions. The Board considered that receiving two tenders is not uncommon for specialised industrial construction projects in the PRC and does not, in itself, render the process unfair or ineffective.

(b) Objective Evaluation Criteria

The Company evaluated the tenders based on the same set of objective criteria, including without limitation the tender price, the bidder's background, capacity, qualifications (including without limitation its respective subcontractors) and experience, and the bidder's legal standing.

(c) Legal Standing

As set out in the Circular, as of the Latest Practicable Date, the other bidder was involved in several litigation cases which may have material adverse effects on its performance, whereas Guangdong Zhongfu has no recorded ongoing litigation or legal disputes. The Board considered that this factor was material in assessing the reliability and capability of the respective bidders.

Accordingly, the Board is satisfied that the tendering process was fair, reasonable and effective in identifying a suitable contractor and determining the Consideration.

(v) Board's Assessment of the Fairness and Reasonableness of the Consideration

Taking into account the factors set out above, the Board (including the independent non-executive Directors) considers that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole for the following reasons:

(a) Competitive Tender Price

While both bidders were provided with the same scope of construction works to be conducted, the price differential between the two bidders was significant, with Guangdong Zhongfu's bid being approximately 10.2% lower than the other bidder's bid. On top of considering the bidders' respective background, capacity, qualifications and experience, such price differential provided a clear and objective basis for selecting Guangdong Zhongfu as the preferred bidder.

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(b) Payment Terms

The payment terms under the Construction Agreement are structured in instalments linked to clearly defined construction milestones, with 3% of the Consideration retained as a quality guarantee deposit. The Board considers these terms, together, to be commercially reasonable and consistent with market practice, and enable the Company to maintain quality oversight over the construction works.

(c) Cost Certainty

The Consideration is on a lump-sum fixed-price basis and is not subject to adjustment for market price fluctuations, which provides cost certainty to the Group.

(d) Board Resolution

The conduct of the tender process and the internal budget for the construction of the New Manufacturing Facility under the Construction Agreement were approved by the Board by way of written resolutions dated 31 July 2026.

In light of the foregoing, the Board considered that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SUPPLEMENTAL INFORMATION REGARDING THE REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT AND THE EXTENDED MANUFACTURING CAPABILITY

The Board wishes to provide the following supplemental information regarding the Extended Manufacturing Capability in semi-solid magnesium alloy injection moulding (Magnesium Thixomolding) as referred to in the Circular.

(i) Business model and business plan for the Extended Manufacturing Capability

Business Model

The Extended Manufacturing Capability in Magnesium Thixomolding does not change the business model of the Group's original Integrated Plastic Solutions segment (now known as "**Integrated Advanced Manufacturing Solutions**"). The business model of Magnesium Thixomolding adopts the same business model as this segment, and the only difference is the application of new machinery and equipment for the manufacturing of new products. The Group will continue to provide integrated manufacturing solutions to its customers, including product design and engineering development, precision tooling design and manufacturing, precision injection moulding, surface finishing and CMF (colour, material, and finish) processes, automated assembly, and process engineering. The Magnesium Thixomolding capability will be an additional manufacturing process offered within this same integrated service framework.

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Business Plan

The Group has formulated an implementation plan for the establishment of the Extended Manufacturing Capability. The Group acquired the land use rights to the Land on 23 March 2026 and commenced the relevant preparatory work thereafter. The tendering process for the construction works commenced in July 2026, and the Group entered into the relevant Construction Agreement in August 2026. Construction of the New Manufacturing Facility under the Construction Agreement is expected to commence in September 2026 and to be completed by the end of April 2027, being the construction period of approximately 240 days provided for under the Construction Agreement.

In parallel with the construction works, the Group is in the process of finalising the procurement plan for the principal production equipment, and currently plans to procure approximately 12 to 19 semi-solid magnesium alloy injection moulding machines. The relevant production equipment is expected to be delivered and installed no later than June 2027. As at the Latest Practicable Date, the Company has no intention or plan to downsize, cease or dispose of any of its existing businesses or to acquire any new business within the next twelve months. The Company will comply with the applicable requirements under Chapters 14 and/or 14A of the Listing Rules in respect of the procurement of such equipment, as and when applicable.

The Group also plans to carry out the necessary ancillary works for the New Manufacturing Facility, including the installation of air-conditioning, elevators and lighting facilities, renovation of staff accommodation and workshops, environmental protection works, environmental impact assessment, landscaping and the relevant inspection and acceptance procedures. Such works and procedures are expected to be carried out progressively alongside the construction of the New Manufacturing Facility and installation of the production equipment.

Subject to the progress of the construction works, delivery and installation of the production equipment and completion of the relevant regulatory, environmental and acceptance procedures, the Group currently expects to carry out equipment commissioning and trial production during May and June 2027, with mass production expected to commence progressively in the third quarter of 2027. Following the commencement of mass production, the scale of production under the Extended Manufacturing Capability will depend on, among other things, the progress of customer product development and qualification, customer orders and prevailing market demand.

The above timetable represents the Group's current implementation plan based on the information presently available and may be subject to adjustment depending on the actual progress of the construction works, procurement and delivery of production equipment and completion of the relevant regulatory, environmental and acceptance procedures.

LETTER FROM THE BOARD

(ii) How the Extended Manufacturing Capability is Complementary to the Group's Existing Businesses

The Board considers that the Extended Manufacturing Capability in Magnesium Thixomolding is complementary to the Group's existing businesses in the following ways:

(a) Customer Retention and Cross-Selling

The Group conducted site visits to three of the Group's existing customers of the former Integrated Plastic Solutions segment. These customers require magnesium alloy components but currently have to source such components from provinces distant from their factories in the PRC. Some of the Group's customers in the former Integrated Plastic Solutions segment are transitioning their product lines from plastic to magnesium alloy, while some of the customers procure both plastic and magnesium alloy products. Under the Group's business plan, the Group intends to manufacture and supply magnesium alloy components for various downstream applications, including automotive and drone products. In addition to its existing customers, the Group has identified some target customers for the proposed business expansion, with the expected geographical coverage primarily in the PRC. As at the Latest Practicable Date, the Company has not entered into any legally binding agreements or commitments in relation to the proposed business expansion. Accordingly, the estimated aggregate potential sales amount represents the Group's current business planning target only and does not represent any committed or contracted sales. The actual sales to be generated from the Extended Manufacturing Capability will depend on, among other things, actual customer orders, product qualification and market demand.

The Extended Manufacturing Capability will enable the Group to establish the production capabilities for magnesium alloy components and broaden its product offerings beyond plastic components. The Directors consider that such capability will allow the Group to address the demand for magnesium alloy components from its existing customers and pursue business opportunities with the identified target customers in the PRC. Accordingly, the extension into Magnesium Thixomolding is expected to strengthen the Group's relationships with its existing customers and provide opportunities to expand its sales by offering a broader range of products and services to the same customer base and other target customers.

(b) Integrated Service Offering

The Extended Manufacturing Capability enhances the Group's Integrated Advanced Manufacturing Platform by adding a new advanced material processing capability. This allows the Group to offer a more comprehensive suite of manufacturing services to its customers, including both plastic injection moulding and magnesium alloy injection moulding, which the Board considers may strengthen the Group's relationships with its existing customers and support the Group in securing additional orders from them.

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(c) Diversification of Product Portfolio

The Extended Manufacturing Capability enables the Group to diversify its product portfolio beyond plastic components into lightweight metal components, reducing the Group's reliance on any single product category and enhancing its resilience to market fluctuations.

(d) Leveraging Existing Expertise

The Group's existing expertise in precision tooling, injection moulding, and process engineering is directly transferable to Magnesium Thixomolding. The Group's precision tooling capabilities that meet the Grade H requirements under GB/T 470672026 Plastic Moulded Parts - Tolerances and Acceptance Conditions provide a strong foundation for the development of magnesium alloy tooling and manufacturing processes.

(e) Target Market Alignment

The Extended Manufacturing Capability targets the same high-growth downstream industries as the Group's existing businesses, including new energy vehicles and related components, artificial intelligence-related equipment and smart hardware, and other high-end precision manufactured products. This alignment allows the Group to leverage its existing industry relationships and market knowledge.

(f) Dedicated Infrastructure for Advanced Materials Processing

Magnesium alloy is a specialised advanced material which requires stringent safety, fire prevention, storage, handling and process control measures, and its processing is generally not suitable for conventional factory premises without dedicated infrastructure and safety systems. The New Manufacturing Facility to be constructed under the Construction Agreement is therefore being purpose-built to support the safe, compliant and efficient handling and processing of magnesium alloy, including semi-solid magnesium alloy injection moulding (Magnesium Thixomolding). The Board considers that the construction of dedicated, purpose-built premises is necessary in order for the Extended Manufacturing Capability to be established and to be integrated with, and complement, the Group's existing manufacturing operations.

(iii) The Group's expertise, experience and technology to manage and operate the Extended Manufacturing Capability

The Group considers that it possesses, and is in the process of further strengthening, the relevant expertise, experience and technical capabilities required to manage and operate the Extended Manufacturing Capability. In preparation for the establishment and operation of the Extended Manufacturing Capability, the Group has recruited, and is in the process of recruiting, personnel with relevant experience in semi-solid magnesium alloy manufacturing, die casting, mould design and manufacturing, engineering and product development, coating and CNC machining.

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In particular, a Senior Production Manager, who joined the Group in early September 2026, has over 23 years of experience in the semi-solid magnesium alloy industry and graduated from Beijing Institute of Technology. Since 2023, he has been involved in the establishment of a new manufacturing plant for semi-solid magnesium alloy automotive components. His relevant industry experience is expected to support the Group in the establishment and subsequent operation of the Extended Manufacturing Capability.

The Group has also employed a Project Engineer who has over 20 years of relevant experience in mould design and manufacturing, engineering and product development. He obtained a diploma through continuing education from Northwestern Polytechnical University. From 2019 to 2025, he served as the Technical Director of Semi-solid Magnesium Alloy Die Casting in his previous employment, where he accumulated relevant technical and practical experience in semi-solid magnesium alloy die casting.

In addition, a Die Casting Department Manager, who joined the Group in early September 2026, has approximately 27 years of relevant working experience and holds a bachelor's degree in mechanical and electronic engineering from Wuhan University. He previously served as a deputy general manager of a die casting department in his previous employment.

The Group is also in the process of identifying and recruiting other technical personnel to support the Extended Manufacturing Capability. The proposed Mould Department Manager has many years of experience in die-casting moulds, previously served as a mould department manager at a precision manufacturing company and is experienced in the application of CAD, UG and FLOW-3D for mould design and simulation. A Coating Department Manager, who is expected to join the Group in September 2026, has approximately 18 years of experience in plastic and metal coating. The Group is also considering recruiting a Programming Engineer with approximately 20 years of experience in the mechanical processing industry and relevant experience in the manufacturing processes for metal appearance components, including CNC machining through to final assembly.

The team will be led by the Group's General Manager, who will oversee and coordinate the overall establishment, management and operation of the Extended Manufacturing Capability, with the support of the relevant management and technical personnel. The Group has also employed a supervisor who will assist in overseeing and coordinating the business operations of the Extended Manufacturing Capability.

The above personnel have experience covering various key aspects of the proposed manufacturing process, including semi-solid magnesium alloy die casting, mould design and manufacturing, engineering and product development, production management, coating, CNC machining and equipment installation and maintenance. The Group expects that the combination of their relevant industry experience and technical expertise will provide the necessary technical and operational support for the establishment and operation of the Extended Manufacturing Capability. The Group will continue to assess its manpower and technical requirements having regard to the progress of the establishment of the Extended Manufacturing Capability and its actual operational requirements.

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(iv) Key Risks associated with the Extended Manufacturing Capability and corresponding Risk Management and Internal Control Measures

The Group may be exposed to various risks in connection with the development and operation of the Extended Manufacturing Capability, including safety, operational, market, customer, technology, raw material, product liability, geopolitical, regulatory and sanctions risks. The key risks identified by the Group and the corresponding risk management and internal control measures are set out below.

(a) Safety and operational risks

Magnesium alloy processing involves specialised manufacturing processes and equipment and may give rise to fire, explosion, personal injury, equipment damage and other operational risks. In particular, magnesium dust and fines generated from trimming, grinding and machining, polishing and recycling operations, as well as magnesium chips and scrap generated during machining and rework activities, are combustible and may ignite or result in dust cloud explosions, flash fires or secondary explosions if not properly controlled. Hot or molten magnesium generated during the plasticising, injection, purging and maintenance processes may also give rise to risks of ignition, molten metal fires, burns and fire propagation to nearby combustible materials. In addition, electrical faults, static electricity, hot surfaces, friction from moving equipment, welding and other hot work and mechanical impact sparks may constitute potential ignition sources. Failure to properly manage such risks could result in personal injury, damage to the New Manufacturing Facility, machinery and equipment, interruption of production and potentially significant financial losses.

To manage the above risks, the Group will implement appropriate engineering, operational and administrative controls for the Extended Manufacturing Capability. The New Manufacturing Facility will be designed with appropriate fire-resistant and non-combustible construction and segregation of high-risk areas, including the Thixomolding, machining, dust collection and magnesium scrap storage areas, with appropriate separation between dust collection systems, magnesium storage, hot work areas and other manufacturing processes. The Group will also implement dedicated dust collection systems designed for combustible metal dust, together with appropriate explosion protection and isolation measures where required, to reduce the risk of dust accumulation, ignition and explosion propagation.

The Group will implement appropriate process safety controls for the Magnesium Thixomolding machinery and equipment, including monitoring of barrel and die temperatures and automatic shutdown or interlocking systems in the event of abnormal operating conditions, such as over-temperature, abnormal pressure, ventilation failure or dust collection system malfunction. Where required by the process design, inert gas protection will also be adopted to reduce oxidation and ignition risks. Appropriate electrical safety measures, including grounding and bonding and suitable protection for equipment in areas where combustible dust may be present, will be implemented to manage electrical and static ignition risks.

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The Group will also establish appropriate housekeeping and scrap management procedures to minimise the accumulation of combustible magnesium dust, chips and fines. Dedicated and segregated storage arrangements will be provided for magnesium dust, chips, turnings and other scrap, with appropriate procedures for the handling, cooling, storage and regular removal of hot or combustible scrap. Appropriate controls will also be implemented for welding, grinding, cutting, brazing and other hot work, including a permit-to-work system, area isolation, removal of combustible dust and fire-watch arrangements where appropriate.

In addition, the Group will establish appropriate fire detection and emergency response systems for the New Manufacturing Facility. Given that certain conventional firefighting methods may be unsuitable for magnesium fires, the Group will provide appropriate firefighting equipment and extinguishing agents suitable for metal fires and establish relevant emergency response and evacuation procedures. Regular emergency drills and simulations will be conducted where appropriate. The Group will also provide relevant training to employees on magnesium-related hazards, combustible dust and explosion risks, safe operating and cleaning procedures and emergency response. Risk assessments will be conducted before material changes to machinery, processes, materials or facility layout are implemented, and regular inspections, preventive maintenance and safety audits will be conducted to monitor the effectiveness of the relevant safety measures and internal controls.

The Group will also assess and, where considered appropriate, maintain insurance coverage for the New Manufacturing Facility, machinery and equipment against relevant risks, including fire and other potential operational risks, having regard to the nature and scale of the Extended Manufacturing Capability.

The Group will also comply with applicable PRC and local laws and regulations relating to fire safety, safe production, environmental protection and the handling and processing of magnesium alloy and will obtain and maintain the relevant approvals and permits, where applicable. In particular, the Group will comply with the PRC national standard GB 26488-2025 “Safety Production Specification for Magnesium Alloy Die Casting Production”* (《鎂合金壓鑄安全生產規範》).

(b) Market demand and product development risks

The demand for magnesium alloy products may be affected by various factors, including changes in market conditions and demand in the automotive, electronics, robotics, drone and other industrial sectors in which magnesium alloy products may be applied. Accordingly, demand for magnesium alloy products may not develop as anticipated, and the Group may not be able to secure sufficient sales orders to achieve the anticipated utilisation of the Extended Manufacturing Capability. Changes in customers’ product development plans, material preferences or the pace of adoption of magnesium alloy may also affect the potential demand for the Group’s magnesium alloy products. In addition, magnesium alloy components are typically qualified for specific customer product programmes, and the product life cycles of the drone, robotics, consumer electronics and motor vehicle products in which such components are used may be relatively short. The Group’s magnesium alloy products may therefore be subject to recurring design-in and qualification cycles which the Group may not succeed in winning, and the volume and duration of any programme awarded to the Group may be lower or shorter than anticipated.

LETTER FROM THE BOARD

To manage these risks, the Group will monitor market trends, customer requirements and developments in the relevant industries. The Group will seek to leverage its existing customer relationships and explore potential applications and business opportunities for magnesium alloy products. The Group will also monitor customer development plans and its order pipeline and, where appropriate, conduct sales forecasts and scenario analyses to assess anticipated demand. The Group will seek to adjust its product development, production plans and resource allocation having regard to customer demand and prevailing market conditions.

(c) Customer concentration and sales order risks

The Group may be exposed to customer concentration risk if a significant proportion of the sales generated from the Extended Manufacturing Capability is attributable to a limited number of customers. The Group may also not be able to secure sufficient orders from existing and new customers to utilise the Extended Manufacturing Capability at the anticipated level. Any significant reduction or delay in orders from major customers could therefore affect the utilisation of the relevant machinery and production facilities and the financial contribution of the Extended Manufacturing Capability.

The Group will seek to diversify its customer base and end-use industries and leverage its existing customer relationships to identify additional business opportunities. The Group will monitor customer concentration from time to time and will seek to adjust its production plans and resource allocation according to confirmed and anticipated customer demand.

(d) Technology and competitive risks

The Group may face competition from manufacturers offering alternative materials, technologies or manufacturing solutions. In particular, aluminium, engineering plastics, composite materials and other advanced materials may be used as alternatives to magnesium alloy in certain applications. Technological developments or changes in customers' material preferences may therefore affect the potential demand for magnesium alloy products. The Group may also face competition from existing and new market participants, including manufacturers with lower production costs or greater technical capabilities, which may place pressure on the Group's pricing and profit margins.

The Group will monitor relevant technological developments, competing materials and competitive conditions and will seek to enhance its technical and manufacturing capabilities as appropriate. The Group will also assess the potential impact of relevant technological developments and changes in customer preferences on its product development and manufacturing plans and, where appropriate, consider adjustments to its product offerings and manufacturing processes.

(e) Raw material price and supply risks

The Group may be exposed to fluctuations in the prices and availability of magnesium alloy and other key raw materials. Significant increases in raw material prices or disruptions in supply may increase the Group's production costs and could adversely affect its profit margins if such increases cannot be fully passed on to customers.

LETTER FROM THE BOARD

The Group will monitor the prices and supply conditions of magnesium alloy and other key raw materials and review its procurement arrangements and supplier contracts from time to time. The Group will seek to maintain appropriate supplier relationships and, where commercially appropriate, may consider longer-term supply arrangements or other measures to manage significant fluctuations in raw material costs and supply.

(f) Product quality and liability risks

The manufacture of magnesium alloy components may involve stringent product specifications and quality requirements. Any defects, quality issues or failure of magnesium alloy components manufactured by the Group to meet customers' specifications could result in customer claims, product recalls, losses or damage to the Group's reputation. In addition, any major product failure or safety incident relating to the Extended Manufacturing Capability could adversely affect the Group's reputation and relationships with its customers and other stakeholders, particularly where the relevant components are incorporated into end products used in safety-sensitive applications.

The Group will implement appropriate quality assurance and quality control procedures in relation to the development and manufacture of magnesium alloy products, including product testing and inspection procedures. The Group will monitor product quality and customer feedback and maintain procedures for handling product quality issues and, where necessary, product recalls. The Group will also assess the relevant product liability risks and the need for appropriate insurance coverage having regard to the nature and risks of the Extended Manufacturing Capability.

In addition, the Group will maintain appropriate incident reporting and escalation procedures for material safety incidents, product failures and other significant events. Where appropriate, the Group will implement crisis management and stakeholder communication measures to facilitate timely assessment, escalation and response to significant incidents and to manage their potential impact on the Group's reputation and business relationships.

(g) Geopolitical, regulatory and sanctions risks

The Group's business, including the Extended Manufacturing Capability, may be affected by geopolitical tensions and by export controls, sanctions, tariffs and other trade restrictions imposed by the governments of the PRC, the United States or other jurisdictions. In particular, certain of the Group's customers or end-markets may be, or may become, subject to export controls, sanctions or other trade restrictions imposed by the United States or other governments, which could adversely affect demand for the Group's products, the Group's ability to supply such customers, or the Group's access to certain equipment, materials or technologies. Any escalation of geopolitical tensions or the introduction of new or expanded trade restrictions or sanctions (including any secondary sanctions) could adversely affect the Group's business, results of operations, financial condition and prospects.

LETTER FROM THE BOARD

To manage these risks, the Group will monitor relevant geopolitical, regulatory and trade developments and assess their potential impact on its customers, supply chain and operations. The Group will adopt and maintain internal policies and procedures for sanctions and export control compliance, including screening of customers, suppliers and other counterparties against the restricted party lists maintained by the relevant authorities of the United States, the European Union, the United Kingdom, Hong Kong and other applicable jurisdictions prior to onboarding and on an ongoing basis, assessing whether products, technology or software supplied to or received from any counterparty are subject to applicable export control regimes, and escalating any potential exposure to the Board. The Group will seek to diversify its customer base and end-markets where appropriate, keep under review its compliance with applicable export control, sanctions and trade laws and regulations, and, where necessary, seek professional advice to assess and manage its exposure to such risks.

ADDITIONAL INFORMATION

Save as disclosed in this supplemental circular, all other information and matters as set out in the Circular remain valid and unchanged.

DIRECTORS' RESPONSIBILITY STATEMENT

This supplemental 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 supplemental 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 supplemental circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that, while the entering into of the Construction Agreement is not in the ordinary and usual course of business of the Group, the Construction Agreement was entered into on normal commercial terms determined through a competitive tender process, and that the terms of the Construction Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the Construction Agreement, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Construction Agreement at such general meeting.

By Order of the Board
Tian Chang Group Holdings Ltd.
Chan Tsan Lam
Chairman