27 October 2025

To the Independent Board Committee and the Independent Shareholders of
China Automotive Interior Decoration Holdings Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Rights Issue, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 27 October 2025 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement dated 10 September 2025 in relation to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder.

Proposed Rights Issue

As set out in the Letter from the Board, the Company proposes to issue 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to raise gross proceeds of up to approximately HK$34.1 million at the Subscription Price of HK$0.13 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

The net proceeds from the Rights Issue (after deducting all necessary costs and expenses) are estimated to be approximately HK$32.0 million (assuming no change in the number of Shares in issue on or before the Record Date).

As at the Latest Practicable Date, the Company has no substantial shareholder as defined under the Listing Rules and accordingly has not received any information or irrevocable undertaking from any substantial shareholder of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

The Compensatory Arrangements and the Placing Agreement

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares, comprising those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Arrangements for the NQS Rights Shares" in the Letter from the Board, by offering these Unsubscribed Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the relevant No Action Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 10 September 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. Any Untaken Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Details of the major terms and conditions precedent of the Placing Agreement are set out in the section headed "THE PLACING AGREEMENT" in the Letter from the Board.

The Underwriting Agreement

On 10 September 2025 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Untaken Share up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement.

Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed "THE UNDERWRITING AGREEMENT" in the Letter from the Board.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date, the Rights Issue is conditional upon the Independent Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules, and the executive Directors, Mr. Zhuang Yuejin, Ms. Xiao Suni, and the independent non-executive Director, Ms. Zhu Chunyan, respectively hold 15,164,800 Shares (approximately 8.66% of the Shares), 790,000 Shares (approximately 0.45% of the Shares) and 790,000 Shares (approximately 0.45% of the Shares). Accordingly, the executive Directors, Mr. Zhuang Yuejin and Ms. Xiao Suni are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. Save for Mr. Zhuang Yuejin and Ms. Xiao Suni, no Shareholders and Directors are required to abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yuen Wai Keung, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

We, Vinco Financial, have been appointed and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders regarding the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the terms of the Rights Issue are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. 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 omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue and the transaction contemplated thereunder since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) the published annual report of the Group for the year ended 31 December 2024 (the "**2024 Annual Report**") and the interim report of the Group for the six months ended 30 June 2025 (the "**2025 Interim Report**") and the six months ended 30 June 2024 (ii) the Placing Agreement and the Underwriting Agreement; and (iii) other information as set out in the Circular. Furthermore, we have researched and analysed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Rights Issue and the transactions contemplated thereunder. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue, the Placing Agreement and the Underwriting Agreement and the transaction 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 purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the Rights Issue, we have taken into consideration of the following principal factors and reasons:

(i) Business and financial information of the Group

The Group is principally engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts. The Group deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends. The Group also taps into the business of financial services through the investment in a securities house.

Set out below is summary of the Group's audited financial information of the Group for the two years ended 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**") and the unaudited financial information of the Group for the six months ended 30 June 2024 ("**HY2024**") and 30 June 2025 ("**HY2025**"), as extracted from the 2024 Annual Report and the 2025 Interim Report, respectively:

Table 1: Historical financial information of the Group

	For the six months ended 30 June		For the year ended 31 December	
	2025	2024	2024	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	64,257	49,456	128,552	113,673
Gross profit	9,711	8,264	21,041	30,795
Profit/(Loss) for the period/ year attributable to the owners of the Company	(2,455)	(16,024)	27,379	30,031

	As a 30 June	As at 31 December	
	2025	2024	2023
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)
Cash and cash equivalents	24,516	49,419	26,043
Total assets	256,629	268,246	265,434
Total liabilities	80,606	89,155	113,242
Net assets	176,023	179,091	152,192

HY2025 versus HY2024

With reference to 2025 Interim Report, the Group recorded revenue of approximately RMB64.3 million for HY2025, representing an increase of approximately 29.9% as compared with approximately RMB49.5 million for HY2024. Such increase was mainly attributable to the improvement of the business environment of the Group. The Group recorded an increase of approximately 17.5% in gross profit from approximately RMB8.3 million for HY2024 to approximately RMB9.7 million for HY2025. Such increase in gross profit was mainly due to the increase in revenue of Group's business of manufacture and sale of nonwoven fabric related products. The loss attributable to the owners of the Company was approximately RMB2.5 million for HY2025 compared with a loss of approximately RMB16.0 million for HY2024. Such reduction in loss resulted from the increase in gross profit mentioned above and the net gains from other income driven by the increase in interest income and fair value gain on financial assets at fair value.

The Group's unaudited total assets and total liabilities as at 30 June 2025 amounted to approximately RMB256.6 million and RMB80.6 million respectively. The Group's unaudited net assets value amounted to approximately RMB176.0 million as at 30 June 2025, representing a decrease of approximately 1.7% as compared to that of approximately RMB179.1 million as at 31 December 2024. Such decrease in net assets value was mainly attributable to the decrease in cash and cash equivalents and the increase in bank borrowings. The gearing ratio (represented by the ratio of total liabilities to total assets) was approximately 0.31 as at 30 June 2025 as compared to 0.33 as at 31 December 2024. The decrease in gearing ratio was a result of total liabilities declining proportionally more than total assets.

FY2024 versus FY2023

With reference to 2024 Annual Report, the Group recorded revenue of approximately RMB128.6 million for FY2024, representing an increase of approximately 13.1% as compared with approximately RMB113.7 million for FY2023. Such increase was mainly due to the increase in sales of other automotive parts. The Group recorded a decrease of approximately 31.7% in gross profit from approximately RMB30.8 million for FY2023 to approximately RMB21.0 million for FY2024. Such decrease in gross profit was mainly due to the increase in cost of inventories sold. The profit attributable to the owners of the Company was approximately RMB27.4 million for FY2024 compared with a profit of approximately RMB30.0 million for FY2023. Such reduction in profit resulted from the decrease in gross profit mentioned above, the net allowance for expected credit loss and overprovision of income tax in prior year.

The Group's audited total assets and total liabilities as at 31 December 2024 amounted to approximately RMB268.2 million and RMB89.2 million respectively. The Group's audited net assets value amounted to approximately RMB179.1 million as at 31 December 2024, representing an increase of approximately 17.7% as compared to that of approximately RMB152.2 million as at 31 December 2023. Such increase in net assets value was mainly attributable to the increase in property, plant and equipment and the decrease in tax payable. The gearing ratio (represented by the ratio of total liabilities to total assets) was approximately 0.33 as at 31 December 2024 as compared to 0.43 as at 31 December 2023. The decrease in gearing ratio was a result of the decrease in total liabilities and the increase in total assets.

(ii) Fund raising activities in the past twelve months

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, the Company has no intention or plan to conduct any other equity fund raising activities in the next 12 months upon completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and if the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising activities to support such future developments of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Proposed Rights Issue

1.1 Information on the Underwriter and the Placing Agent

Astrum Capital Management Limited is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities.

It confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties.

1.2 Reasons for and benefits of the Rights Issue and use of proceeds

As disclosed in the Letter from the Board, the Group is principally engaged in the manufacture and sale of non-woven fabric related products used in automotive interior decoration parts and other parts.

Reference is made to the announcement of the Company dated 26 June 2025 in relation to the Company entered into a tenancy agreement for leasing the premises in Chongqing, the PRC for setting up new production lines. A subsidiary, namely 怡星(重慶)汽車內飾有限公司, with registered share capital of RMB40.0 million was set up on 4 July 2025. The Company's principal products are different nonwoven fabrics, which are mainly made of artificial and synthetic fibers. Fabrics of different colours can be formed to suit different customers' requirements through the mixture of fibers of various colours. The fibers are then slackened and carded before being needle-punched together to form fabrics of a plain cloth-like texture, i.e. greige (坯布). For some products which require more than one layer of texture, the greige will be joined with the other layer by further needle-punching. For its production process, the Company would install five production lines, which mainly composed (i) napping machines (起絨機) used to nap on the surface of greige, (ii) needle punching machine (針刺機) used to perform needle punching process to form fabrics of a plain cloth-like texture, (iii) heat setting stenter finishing machines (乾燥定型機) used to fabrics drying and tentering to increase the hardness of the end-products and (iv) automatic casting machines (自動流涎機) used to coating the products with glue ("**Installation of Production Lines**"). It is expected the annual production amount would reach approximately 6 million square meter of nonwoven fabric for production of nonwoven fabric related products and automotive components, such as trunk mat, parcel tray carpet, front wall and fire isolation materials, which are of different characteristics and are to be applied for different usages in passenger vehicles. The Investment cost in the Installation of Production Lines is approximately RMB28.0 million (equivalent to approximately HK$30.5 million). Pursuant to the market analysis published by Market Research Future, a global market research company, in September 2025, there was a growth trajectory in the nonwoven fabrics sector in the PRC over the past few years that the market revenue increased from approximately USD8.0 billion in 2023 to USD8.3 billion in 2024. Furthermore, according to the statistic report namely "China Nonwoven Fabric Market Size & Outlook, 2024-2030", published by Grand View Research, a market research and consulting company, we noted that the nonwoven fabrics market in the PRC is expected to have a compound annual growth rate of 8.2% from 2025 to 2030. Also, as disclosed in 2025 Interim Report, we understood most of the customers of nonwoven fabric products are primary manufacturers and suppliers of automotive parts in the PRC and there was an increase of approximately 12.1% and 14.5% in the production and sales of passengers vehicles in the PRC for the six months ended 30 June 2025 by comparing the corresponding period of 2024. Given the historical growth in both the nonwoven fabrics and automotive market and the positive future projections regarding the continued growth, we believe it is reasonable for the Company to allocate the proceeds from Rights Issue for the development of production line related to nonwoven fabrics as to generate further income and hence enhance the interests of the Company and its Shareholders as a whole. Based on the 2025 Interim Report, it is expected the current cash and cash equivalent of approximately RMB24.5 million as at 30 June 2025 might not be sufficient for financing the Installation of Production Lines. After considering, including but not limited to, the cash and cash equivalents of the Group of approximately RMB24.5 million as at 30 June 2025, the requirement of maintaining sufficient working capital for its present business operations, and the requirement of purchase of property, plant and machinery for the new production lines, the Board is in a view that the Company has an imminent funding need to conduct the Rights Issue.

Assuming no change in the number of Shares in issue on or before the Record Date, it is expected that the gross proceeds and net proceeds from the Rights Issue will be approximately HK$34.1 million and HK$32.0 million, respectively. The Company intends to apply the net proceeds from the Rights Issue as follows:

(i) approximately 95.31% of the net proceeds or approximately HK$30.5 million (equivalent to approximately RMB28.0 million) for purchase of property, plant and machinery for the production lines in the PRC; and

(ii) the remaining of approximately 4.69% of the net proceeds or approximately HK$1.5 million for general working capital of the Group.

Assuming the completion of the Rights Issue, which are expected to take place by the end of December 2025, the net proceeds will amount to approximately HK$32.0 million. The Group would purchase property, plant and machinery for the installation of production lines from the first quarter of 2026. After the completion of plant and machinery installation, it is expected the new production lines will be used in the second quarter of 2026.

Apart from the Rights Issue, the Company had considered other fund-raising alternatives available to the Company such as debt financing and other equity financing such as placing or subscription of new Shares.

The Board considers that to finance the funding needs of the Company in the form of equity is a better alternative than debt. As debt fundraising such as bank borrowings always carry high interest costs and create pressure to the liquidity of the Company. As at 30 September 2025, the Company already has bank loans of approximately RMB35.0 million, and the Group's investment property and leasehold land in the PRC were already pledged to banks for such borrowings. Furthermore, the Company does not have other material tangible assets which may be satisfactory to the banks to be served as collaterals. In respect of equity financing, the Directors are of the view that placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the opportunity to the existing Shareholders to participate. In addition, based on the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Last Trading Day, it is expected the proceeds from any proposed placing of shares under general mandate will not be sufficient for financing the Installation of Production Lines. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their proportional shareholdings in the Company through participation in the Rights Issue.

Having considered the above alternatives, we concur with the view of the Directors that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole. The Rights Issue will enable the Company to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs which also allowed the Qualifying Shareholders to maintain their proportional shareholdings in the Company. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

1.3 Principal terms of the Rights Issue

The Company proposes to issue 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to raise gross proceeds of up to approximately HK$34.1 million at the Subscription Price of HK$0.13 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Further details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every two (2) existing Shares held by the Shareholders on the Record Date
Subscription Price:	HK$0.13 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	175,115,104 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)

Aggregate nominal value of the Rights Shares:	Up to HK$6,566,816.40 before expenses (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Rights Shares underwritten:	Up to 262,672,656 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
Total number of Shares in issue upon completion of the Rights Issue:	Up to 437,787,760 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue:	Up to approximately HK$34.1 million before deduction of the costs and expenses which the Company will incur in the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date)
Net proceeds from the Rights Issue:	Up to approximately HK$32.0 million after deducting all necessary costs and expenses (assuming no change in the number of Shares in issue on or before the Record Date)

The Company adopted a share option scheme on 5 June 2015, which had expired on 4 June 2025. No share option scheme has been adopted by the Company afterwards. As at the Latest Practicable Date, there is no shares options granted under the share option scheme remained outstanding. As at the Latest Practicable Date, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 262,672,656 Rights Shares proposed to be issued pursuant to the Rights Issue represent (i) approximately 150.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

1.4 Our analysis of the principal terms of the Rights Issue

1.4.1 The Subscription Price

The Subscription Price of HK$0.13 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 19.75% to the closing price of HK$0.162 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 29.73% to the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 29.27% to the average closing price of approximately HK$0.1838 per Share for the last five trading days as quoted on the Stock Exchange before the Last Trading Day;

(iv) a discount of approximately 28.81% to the average closing price of approximately HK$0.1826 per Share for the last ten trading days as quoted on the Stock Exchange before the Last Trading Day;

(v) a discount of approximately 14.47% to the theoretical ex-rights price of approximately HK$0.1520 per Share, based on the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 17.84%, based on the theoretical diluted price of approximately HK$0.1520 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK$0.1850 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Last Trading Day of approximately HK$0.1838 per Share) of approximately HK$0.1850 per Share; and

(vii) a discount of approximately 88.13% of the consolidated net asset value per existing Share of approximately HK$1.096 (based on the latest published consolidated net asset value (the "**NAV**") of the Company of RMB176,023,000 (equivalent to HK$191,865,070) as at 30 June 2025).

The estimated net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of the Rights Shares will be approximately HK$0.1216 (assuming no change in the number of Shares in issue on or before the Record Date).

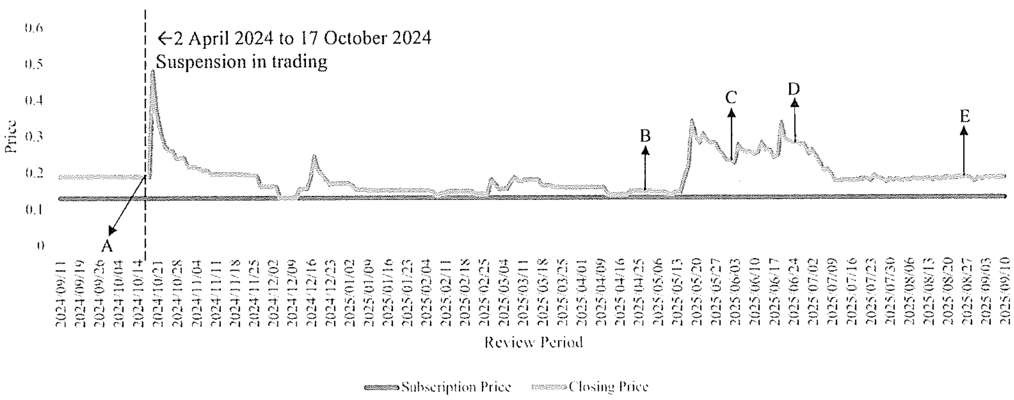
The Subscription Price was determined by the Company with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons as discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" above in this letter.

We concur with the view of the Directors that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

1.4.2 Historical price performance of the Shares

To assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing price of the Shares from 11 September 2024 to and including 10 September 2025, the Last Trading Day (the "**Review Period**"), (being a period of one year, which is commonly used for analysis purpose to illustrate the general trend of the daily closing price and the level of movement of the Shares) and compared with the Subscription Price. We consider that such sampling period of one year is adequate as it (i) covers a complete annual trading cycle of the Shares; (ii) reflects both historical and recent trading patterns; and (iii) provides a representative range of trading prices for assessment of the Subscription Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Table 2: Share price performance during the Review Period



Source: The website of Stock Exchange

Notes:

The trading of the Shares on the Stock Exchange was suspended at 9:00 p.m. on 2 April 2024 pursuant to the rule 13.50A of the Listing Rules due to a disclaimer of opinion on the Company's financial statements. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 18 October 2024.

Event A – Publication of the announcement regarding fulfilment of resumption guidance in relation to resumption of trading on 17 October 2024

Event B – Publication of the 2024 Annual Report

Event C – Publication of the announcement regarding poll results of the annual general meeting held on 3 June 2025

Event D – Publication of the announcement regarding the tenancy agreement for leasing of premises on 26 June 2025

Event E – Publication of the 2025 interim results of the Group for the six months ended 30 June 2025

During the Review Period, the Shares traded between a range of HK$0.130 on 4 December 2024, 5 December 2024, 6 December 2024, 9 December 2024 and 10 December 2024 and HK$0.480 on 18 October 2024 with an average closing price per Share of approximately HK$0.188. The Subscription Price represents (i) the lowest closing price per Share (i.e. HK$0.130); (ii) a discount of approximately 72.92% to the highest closing price per Share (i.e. HK$0.480); and (iii) a discount of approximately 30.99% to the average closing price per Share (i.e. HK$0.188) during the Review Period.

As illustrated in the graph above, the closing price showed fluctuation overall during the Review Period. Since commencement of the Review Period, the closing price per Share remained at HK$0.189 since the suspension of trading in shares and rose to HK$0.480, being the highest closing price per Share during the Review Period on 18 October 2024, when the trading in shares resumed. Thereafter, on 4 December 2024 and onwards, the closing price per Shares dropped to HK$0.130, being the lowest closing price per Share during the Review Period. Subsequently, the closing price per Share exhibited an upward trend with volatility from May to July 2025. As discussed with the management of the Company, they were not aware of any particular reason that contributed to the fluctuations in the closing price per Share during the Review Period aside from the aforementioned events.

We note that the closing price was not lower than Subscription Price throughout the Review Period. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the closing price during the Review Period.

Taking into consideration that (i) the Subscription Price is equal to or lower than the aforesaid historical closing price range during the Review Period; (ii) the Subscription Price represents a discount to the closing price on the Last Trading Day, the last five consecutive trading days immediately prior to and including the Last Trading Day and the last ten consecutive trading days immediately prior and including the Last Trading Day; (iii) the funding needs as discussed in the paragraph headed "1.2 Reasons for and benefits of the Rights Issue and the use of proceeds" above in this letter, we consider that the Subscription Price is fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

1.4.3 Historical trading volume of the Shares

The following table sets out the trading volume of the Share during the Review Period:

Table 3: Trading volume of the Shares during the Review Period

Month/Period		Total trading volume of the Shares in the month/period	Number of trading days in the month/ period	Average daily volume of the Shares in the month/period *(Note 1)* *(approximately)*	Percentage of average daily trading volume to total number of Shares *(Note 2)* *(approximately)*
2024	September	–	13	–	–
	October	23,244,880	21	1,106,899	0.6321%
	November	423,440	21	20,164	0.0115%
	December	5,615,200	20	280,760	0.1603%
2025	January	259,600	19	13,663	0.0078%
	February	1,234,640	20	61,732	0.0353%
	March	1,690,000	21	80,476	0.0460%
	April	602,800	19	31,726	0.0181%
	May	9,196,480	20	459,824	0.2626%
	June	4,562,010	21	217,239	0.1241%
	July	19,811,120	22	900,505	0.5142%
	August	5,470,330	21	260,492	0.1488%
	September	3,203,520	8	400,440	0.2287%

Source: The website of Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Calculated based on the total number of Shares in issue at the end of each month/ period.

As illustrated in the above table, we noted that the average trading volume of the Shares ranged from approximately nil Shares to 1,106,899 Shares during the Review Period, representing approximately nil to 0.6321% of a total of 175,115,104 Shares in issued as at the respective month or period with an average on the percentage of average daily trading volume throughout the whole Review Period of approximately 0.1684% of the total number of issued Shares as at the respective month or period.

Based on the above results, we considered that the trading liquidity of the Shares during the Review Period were thin that the average daily trading volume of the Shares during the Review Period was below 1% of the total number of issued Shares held by the public, we consider that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount on the prevailing Share prices. In light of the above, we consider that conducting a fund raising exercise by way of Rights Issue with Subscription Price set at a discount to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day is appropriate and reasonable as to promote the attractiveness of the Rights Issue.

1.5 Comparable analysis

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue three months prior to the Last Trading Day (the "**Comparison Period**") to understand the trend of the recent market practice. We consider that the Comparison Period is appropriate, fair and representative because (i) the comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the rights issue exercise in the recent market conditions; and (ii) sufficient number of comparables were identified during the Comparison Period. Based on our research, we have identified an exhaustive list of 14 rights issue comparables (the "**Comparables**") during the Comparison Period.

We noted that the business activities and the terms of the rights issue of the Comparables may not be directly comparable to the business activities carried out and the terms of the rights issue announced by the Company due to the differences in business activities and performances. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, NAV, maximum dilution on the shareholding and theoretical dilution effect; (iii) a three-month period for the selection of the Comparables has resulted in the generation of a reasonable sample size; and (iv) the Comparables were included without any artificial selection or filtering on our part. Since there is a sufficient number of Comparables under the selection criteria mentioned above, we are of the view that they represented a true and fair view and representative samples of the recent market trends for rights issue and are sufficient for assessing the fairness and reasonableness of the Rights Issue.

Table 4: The Comparable

Date of announcement	Company name	Stock code	Basic of entitlement	Maximum dilution on the shareholding (%)	Discount of subscription price per rights issue share over to closing price per share on the last trading day prior to announcement of rights issue (%)	Discount of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue (%)	Premium/ (discount) of subscription price per rights issue share over/ to the NAV per share *(Note 1)* (%)	Theoretical dilution effect *(Note 2)* (%)	Excess Application/ Placing *(Note 3)*	Placing commission *(Note 1)* (%)	Underwriting arrangement	Underwriting fee (%)	Minimum placing commission *HK$*	Whitewash waiver application *(Yes/No)*
4 September 2025	Aeso Holding Limited	8341	2 for 1	66.67	(25.70)	(23.10)	(83.00)	(17.12)	Placing	2.50	Non-underwritten	N/A	No	No
4 September 2025	Many Idea Cloud Holdings Limited	6696	6 for 1	85.71	(22.08)	(24.56)	(91.29)	(20.63)	Placing	0.20	Non-underwritten	N/A	No	No
26 August 2025	Jisheng Group Holdings Limited	8133	3 for 1	75.00	(14.29)	(14.29)	(45.45)	(10.57)	Placing	1.50	Non-underwritten	N/A	No	No
14 August 2025	China Energy Development Holdings Limited	228	1 for 2	33.33	(19.90)	(19.90)	(73.34)	(6.63)	Excess application	N/A	Non-underwritten	N/A	No	No
13 August 2025	China Information Technology Development Limited	8178	3 for 8	37.50	(55.05)	(55.24)	(63.00)	(15.12)	Underwriting	N/A	Fully underwritten	7.07	No	No
6 August 2025	Value Convergence Holdings Limited	821	2 for 1	200.00	(4.26)	(5.86)	(71.06)	(3.11)	Placing	2.50	Non-underwritten	N/A	No	No
4 August 2025	Tomo Holdings Limited	6928	1 for 2	33.33	(62.10)	(63.20)	25.00	(21.30)	Placing	1.00	Non-underwritten	N/A	No	No
31 July 2025	Da Yu Financial Holdings Limited	1073	1 for 2	33.33	(16.67)	(18.92)	(45.45)	(6.67)	Excess application	N/A	Non-underwritten	N/A	No	No
25 July 2025	Shin Hwa World Limited	582	1 for 1	100.00	(34.21)	(33.07)	(97.12)	(17.11)	Underwriting	N/A	Non-underwritten	1.00	No	No
23 July 2025	Future Machine Limited	1401	1 for 2	33.33	(72.28)	(72.28)	(28.61)	(24.09)	Placing	1.00	Non-underwritten	N/A	No	No
8 July 2025	Alco Holdings Limited	328	4 for 1	80.00	(19.00)	(19.00)	N/A *(Note 4)*	(15.52)	Placing	1.50	Non-underwritten	N/A	No	No
7 July 2025	Sanergy Group Limited	2459	1 for 2	33.33	(55.60)	(56.30)	(89.00)	(18.80)	Placing	3.50	Non-underwritten	N/A	100,000	No
25 June 2025	Sino Splendid Holdings Limited	8006	3 for 2	60.00	(11.10)	(12.10)	(52.40)	(6.67)	Placing	2.50	Non-underwritten	N/A	No	No
17 June 2025	Risecomm Group Holdings Limited	1679	5 for 1	83.33	(22.48)	(21.63)	Net liabilities	(18.73)	Placing	0.50	Non-underwritten	N/A	No	No
	Maximum			200.00	(4.26)	(5.86)	25.00	(3.11)		3.50		7.07	100,000	
	Minimum			33.33	(72.28)	(72.28)	(97.12)	(24.09)		0.20		1.00	100,000	
	Average			68.21	(31.05)	(31.39)	(59.56)	(14.43)		1.67		4.04	100,000	
	Median			63.33	(22.28)	(22.37)	(67.03)	(16.32)		1.50		4.04	100,000	
	The Company		48	60.00	(29.73)	(29.27)	(88.13)	(17.84)	Placing	1.50	Fully underwritten	4.5	No	No

Source: The website of Stock Exchange

Note:

1. Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.

2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rule**"), or extracted from announcement, circular or prospectus in respect of the relevant rights issue.

3. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.

4. This information is not disclosed in the relevant announcement of the respective Comparable.

According to our research, we observed that (i) 14 of the 14 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the "**LTD Price**"); (ii) 14 of the 14 Comparables had set the subscription price of their rights issue at a discount to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day (the "**5-Day Discount Price**"); and (iii) 11 of the 14 Comparables had set the subscription price of their rights issue at a discount to the NAV per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, 5-Day Discount Price and the NAV per share, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a discount of approximately 4.26% to a discount of approximately 72.28% with average and median discounts of approximately 31.05% and 22.28% respectively. The discount of approximately 29.73% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables and is lower than the average while being higher the median of the Comparables.

The subscription price to the 5-Day Discount Price ranged from a discount of approximately 5.86% to a discount of approximately 72.28% with average and median discounts of approximately 31.39% and 22.37% respectively. The discount of approximately 29.27% of the Subscription Price to the 5-Day Discount Price of the Company falls within the range of those of the Comparables and is lower than the average while being higher the median of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 25.00% to a discount of approximately 97.12% with average and median discounts of approximately 59.56% and 67.03% respectively. The discount of approximately 88.13% of the Subscription Price to the NAV per share of the Company falls within the range of those of the Comparables and is higher than the average and the median of the Comparables. Despite the discount to NAV per share of the Company is higher than the relevant median and the average of the Comparables, having considered that (i) the closing price were not lower than the Subscription Price during the Review Period; (ii) the Shares have been trading below the NAV of the Company for prolonged period at the discount rate of approximately 88.3% and 88.1% based on the NAV of the Group as at 31 December 2024 and 30 June 2025. For our further assessment, we reviewed the closing prices of the Group since June 2024 and the recent NAV of the Group as disclosed in its annual and interim reports. Despite the net assets values of the Group amounted to approximately HK$0.8908, HK$1.1147 and HK$1.096 as at 30 June 2024, 31 December 2024 and 30 June 2025, having considered that the Shares were traded not lower than the Subscription Price since June 2024 and up to the Latest Practicable Date, we are of the view that the investors might not value the Shares based on the financial position of the Group. Accordingly, we consider the deep discount to NAV per share of the Company compared with those of the Comparables, is fair and reasonable, particularly as it falls within the range of discounts among the Comparables.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from 3.11% to 24.09% with average and median dilution of approximately 14.43% and 16.32% respectively. There is a dilution of approximately 17.84% represented by the theoretical diluted price of approximately HK$0.1520 per Share to the benchmarked price of approximately HK$0.1850 per Share (as defined under Rule 7.27B of the Listing Rules taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the theoretical closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day).

Despite (i) the discount of the Subscription Price to the LTD Price and the 5-Day Discount Price is higher than the median of those of the Comparables and (ii) the discount of the Subscription Price to the NAV per share of the Company is higher than the average and the median of the Comparables, we noted that these discounts fall within the range of those of the Comparables, Furthermore, taking into account that (i) the Subscription Price is below or same as the closing price per Share during the Review Period; (ii) the Shares have exhibited thin trading liquidity; (iii) the

Subscription Price represents a discount of the consolidated NAV per Share but fall within the range of those of the Comparables; and (iv) the financial condition as mentioned under section headed "Business and financial information of the Group", we consider the higher discount of the Subscription Price is fair and reasonable as to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue.

As shown in the table of the Comparables above and considering all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue and are offered the same discount of the Subscription Price to the closing price of the Share and the same potential maximum dilution, we are of the view that the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned, and also in alignment with the market practice.

Among the Comparables, we noted that 10 out of 14 Comparables exercise placing in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

2. The Placing Agreement

On 10 September 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares. If all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed. Further details of the Placing Agreement are set out below:

Date	:	10 September 2025 (after trading hours)
Placing Agent	:	Astrum Capital Management Limited. The Placing Agent was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares during the Placing Period. The Placing Agent confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties.

Placing commission	:	The Company shall pay the Placing Agent a placing commission equivalent to 1.5% of the amount which is equal to the placing price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.
Placees	:	The Placing Agent undertakes to procure that the Unsubscribed Rights Shares shall only be placed to individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and are not acting in concert with any of the connected persons of the Company and their respective associates. The Placing Agent undertakes (i) to make all reasonable enquiries to ensure that the Placee(s) and their respective ultimate beneficial owners (if applicable) will be Independent Third Parties; and (ii) that it will ensure the Placing will not, upon its completion, result in the Company being unable to comply with the Public Float Requirement.

For further details, please refer to section headed "THE PLACING AGREEMENT" in the Letter from the Board. In assessing the principal terms of the Placing Agreement, we have considered the following key aspects:

2.1 Placing price

Pursuant to the Placing Agreement, the placing price (the "**Placing Price**") of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand and market conditions of the Unsubscribed Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed "1.5 Comparable analysis" above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

2.2 Placing Commission

As stated in the Letter from the Board, the terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and we are of the view it is on normal commercial terms with reference to 10 rights issue exercises conducted by other companies listed on the Stock Exchange during the three months immediately prior to the Last Trading Day, the commission charged by placing agent in a rights issue exercise generally ranged between 0.20% to 3.50%, with an average of approximately 1.67% and a median of approximately 1.50%. Given the commission rate of 1.50% charged by the Placing Agent falls within the market commission rate (i.e. 0.20% to 3.50%) and below the average and median of those in the Comparables, we concur with the view of the Directors that the commission rate charged by the Placing Agent under the Placing is fair and reasonable and on normal commercial terms.

We have also reviewed other major terms of the Placing Agreement, including but not limited to the conditions of the Placing Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Shareholders are concerned.

3. The Underwriting Agreement

On 10 September 2025 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Untaken Share up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) subject to the terms and conditions set out in the Underwriting Agreement.

Further details of the Underwriting Agreement are set out below:

Date	:	10 September 2025 (after trading hours)
Underwriter	:	Astrum Capital Management Limited. The Underwriter is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities.

		The Underwriter confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.
Underwriting commission	:	The Company shall pay the Underwriter an underwriting commission equal to 4.5% of the amount which is equal to the Subscription Price multiplied by the total number of the Underwritten Share.

As mentioned in the Letter from the Board, the engagement between the Company and the Underwriter in respect of the Rights Issue (including the commission and expenses payable) was determined after arm's length negotiation between the Underwriter and the Company and is on normal commercial terms with reference the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Underwriting Agreement in respect of the Rights Issue (including the commission and expenses payable) are on normal commercial terms.

In assessing the principal term of the Underwriting Agreement, including the underwriting commission, we have reviewed the underwriting commissions of the Comparables, if any, and noted that their underwriting commissions ranged from 1.00% to 7.07%, with an average of approximately 4.04% and a median of approximately 4.04%. Given that the Underwriter will charge 4.50% as underwriting commission for the Rights Issue, which falls within the range of the Comparables and close to the average and median of those in the Comparables, such underwriting arrangement is fair and reasonable.

Having considered (i) the Underwriting Arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; and (ii) the commission under the Underwriting Agreement falls within the range of the Comparables and close to the average and median of those in the Comparables, we concur with the Board that, although the underwriting is not in the ordinary and usual course of business of the Group, the terms of the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

4. **Possible financial effects of the Rights Issue**

Net tangible assets

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interest of the Company and the Shareholders. According to the "UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY" set out in the Appendix II to the Circular, the unaudited condensed consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB251.0 million as at 30 June 2025, while the unaudited condensed consolidated net tangible assets per Share before completion of the Rights Issue was approximately RMB1.43; upon completion of the Rights Issue, the unaudited pro forma adjusted condensed consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately RMB280.5 million, while the unaudited pro forma adjusted condensed consolidated net tangible assets per Share immediately after completion of the Rights issue was approximately RMB0.64.

Gearing ratio and liquidity

According to the Interim Report 2025, as at 30 June 2025, the unaudited cash and cash equivalents of the Group was approximately RMB24.5 million. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately RMB29.4 million.

Upon the completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Rights Issue of approximately RMB29.4 million (equivalent to approximately HK$32.0 million). The gearing ratio of the Group (represented by the ratio of total liabilities to total assets) would be improved from approximately 0.31 based on total liabilities of approximately RMB80.6 million and total assets of RMB 256.6 million as at 30 June 2025 to approximately 0.28 based on total liabilities of approximately RMB80.6 million and total assets of RMB286.1 million upon the completion of the Rights Issue.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

5. Possible dilution effect on the shareholding of the Company

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe to the Rights Shares in the market. The maximum dilution effect of the Rights Issue was approximately 60.00%, which fall below the range of the Comparables (from approximately 33.33% to 200.00%).

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed "EFFECTS ON THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY" in the Letter from the Board.

Immediately after completion of the Rights Issue, assuming (a) all Qualifying Shareholders will take up their respective entitlements of the Rights Issue in full; and (b) there is no change to the total issued share capital of the Company on or before the Record Date, we noted that the shareholding in the Company held by the existing public Shareholders would remain approximately 90.44%.

Immediately after completion of the Rights Issue, assuming (i) none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all Unsubscribed Rights Shares have been placed by the Placing Agent; or (ii) none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares, all Unsubscribed Rights Shares have not been placed by the Placing Agent, and the Underwriter takes up all the Untaken Share, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 90.44% as at the Latest Practicable Date to approximately 36.18%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is below the range of that of the Comparables; (iv) the terms of the Rights Issue (together with the Underwriting Agreement and the Placing Agreement) are fair and reasonable so far as the Independent Shareholders are concerned; (v) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (vi) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be applied for, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that although the entering into of the Underwriting Agreement and the Placing Agreement were not in the ordinary and usual course of business of the Group, the terms of the Rights Issue (together with the Underwriting Agreement and the Placing Agreement) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholder as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the relevant resolution for approving the Rights Issue at the EGM.

Yours faithfully,
For and on behalf of
Vinco Financial Limited

Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.