



Silver Nile Global Investments Limited
Suite 4301, Tower One
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

6 May 2026

*To: The Independent Board Committee and the Independent Shareholders of
BaWang International (Group) Holding Limited*

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE 2026 LEASE AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2026 Lease Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 6 May 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 April 2026 (after trading hours), Bawang Guangzhou as lessee entered into the 2026 Lease Agreement with Guangzhou Bawang as lessor in relation to the leasing of certain premises located within the Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC for a term of 5 years from 1 July 2026 to 30 June 2031 at a monthly rent of RMB607,963.20.

In accordance with IFRS 16 “Leases”, the Group is required to recognise the 2026 Lease Agreement as right-of-use assets. Hence, the entering into the 2026 Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of right-of-use assets by the Group and constitutes a major transaction under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the 2026 Lease Agreement exceeds 25% but all applicable

percentage ratios are below 100%. The aggregate value of the right of-use assets to be recognised by the Group under the 2026 Lease Agreement is expected to be approximately RMB32,623,000 as at 1 July 2026, which is calculated with reference to the aggregate rental payments and discounted by a discount rate.

As at the Latest Practicable Date, Guangzhou Bawang was ultimately wholly-owned by Mr. CHEN Qiyuan, the chairman and an executive director of the Company, and Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, by themselves and through companies that are wholly-owned by them. Therefore, Guangzhou Bawang is an associate of Mr. CHEN Qiyuan and Mr. CHEN Zheng He, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the 2026 Lease Agreement and the transactions contemplated thereunder also constitute connected transactions of the Company and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and Rule 14A.36 of the Listing Rules requires any shareholder who has a material interest in the underlying transactions to abstain from voting on related resolution(s). As Mr. CHEN Qiyuan, Mr. CHEN Zheng He and any of their respective associates are materially interested in the transactions contemplated under the 2026 Lease Agreement, they are required to abstain from voting on the proposed resolution(s) relating to the 2026 Lease Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Directors, save for the above, no other Shareholders are required to abstain from voting on the relevant resolution(s) as aforementioned at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHEUNG Kin Wing, Dr. LIU Jing, Mr. CHU Tat Hoi, has been established to advise the Independent Shareholders as to whether the terms of the 2026 Lease Agreement are fair and reasonable and on normal commercial terms and whether the transaction(s) contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We, Silver Nile Global Investments Limited ("**Silver Nile Global**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with and not aware of any relationship and interests with the Company, Guangzhou Bawang and any of their respective substantial shareholders or associates that could reasonably be regarded as relevant to our independence to act as the Independent Financial Adviser. Save for our appointment as the Independent Financial Adviser, there was no other engagement between the Company and Silver Nile Global in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably

be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules, and therefore we are qualified to give independent advice in respect of the 2026 Lease Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and/or the management of the Group. We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company and the Directors, including but not limited to, (i) the 2026 Lease Agreement; (ii) the fair rent letter prepared by the Independent Valuer in respect of market rent of the premises to be leased under the 2026 Lease Agreement (“**Premises**”) as at 28 February 2026 (the “**Valuation Date**”); and (iii) other relevant public information related to the Premises. We have assumed that (i) all statements, information and representations provided by the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2026 Lease Agreement and the transactions contemplated thereunder. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group, Bawang Guangzhou and Guangzhou Bawang, or their respective subsidiaries or associates (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of the entering into of the 2026 Lease Agreement and transactions contemplated thereunder.

The Directors jointly and severally accept 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, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts

the omission of which would make any statement 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 of advice.

We have not made any independent evaluation or appraisal of the Premises, and we have not been furnished with any such evaluation or appraisal, save and except for the Fair Rent Letter prepared by the Independent Valuer which set out their assessment of market rent for the Premises. Since we are not experts in the valuation of land and property, we have relied solely on the Fair Rent Letter for the market rent of the Premises.

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

This letter is issued for the information of the Independent Board Committee and Independent Shareholders solely in connection with their consideration of the entering into the 2026 Lease Agreement and the transactions contemplated thereunder, and except for its inclusion in this 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 arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the 2026 Lease Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background information of the parties to the Tenancy Agreements

(i) *Information of the Group and Bawang Guangzhou*

With reference to the Letter from the Board, the Group is principally engaged in the design, manufacture and sale of Chinese herbal shampoo and hair-care products as well as other products such as skincare products, toothpaste, and shower gels. Bawang Guangzhou is a wholly-owned subsidiary of the Company.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2025 (“FY2023”, “FY2024” and “FY2025” respectively) as extracted from the annual report of the Company for FY2024 and FY2025:

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	237,653	252,952	273,094
Cost of sales	(117,935)	(124,173)	(134,245)
Gross profit	119,718	128,779	138,849
Operating profit	14,882	7,582	4,457
Profit for the year attributable to owners of the Company	13,627	6,555	3,885

For the year ended 31 December 2025

The revenue of the Group increased by approximately RMB20.14 million or 7.96% from approximately RMB252.95 million to approximately RMB273.09 million for FY2024 and FY2025, respectively. According to the annual report of the Company for FY2025, the increase in revenue was mainly due to the increase in the revenue from online sales channel.

Despite the increase in revenue, the Group recorded a decrease in profit attributable to the owners of the Company of approximately RMB2.67 million from approximately RMB6.56 million in FY2024 to approximately RMB3.89 million in FY2025 mainly due to (i) increase in selling and distribution costs of approximately RMB10.29 million as a result of increase in expenses spent in the promotion and advertising of the Group’s products in various online platforms such as Douyin and JD.com, and the conventional channel, but partially offset by the decrease in outsourced labour costs; and (ii) increase in administrative expenses of approximately RMB2.76 million, as there was increase in salaries and bonus, social security expenses, and research and development expenses.

For the year ended 31 December 2024

The Group’s revenue remained relatively stable as compared to FY2023 with a slight increase of approximately RMB15.30 million from RMB237.65 million in FY2023 to RMB252.95 million in FY2024 which was mainly due to increase in the Group’s core brand, Bawang, products and the Group’s natural-based branded shampoo, shower gel and laundry detergent products series, Litao, products.

However, the profit for the year attributable to owners of the Company recorded a noticeable decrease of approximately RMB7.07 million, or 51.9%, from RMB13.63 million in FY2023 to RMB6.56 million in FY2024 primarily due to increase in selling and distribution costs of approximately RMB13.77 million, as a result of increase in expenses spent in the promotion and advertising of the Group's products in various online platforms.

(ii) Information of Guangzhou Bawang

According to the information provided by the management of the Company, Guangzhou Bawang is a company established in the PRC as a wholly foreign-owned enterprise on 23 November 2001. As at the Latest Practicable Date, Guangzhou Bawang was ultimately wholly-owned by Mr. CHEN Qiyuan, the chairman and an executive director of the Company, and Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, by themselves and through companies that are wholly-owned by them. The principal business activities of Guangzhou Bawang are property investment, property development, property management, real estate agency services and property leasing.

2. Reasons for and benefits of entering into the 2026 Lease Agreement

With reference to the Letter from the Board and according to the breakdown obtained by us from the management of the Company, the Group currently utilises the Premises for the Group's production facilities, office premises, warehouses and staff dormitory. The premises under the 2026 Lease Agreement consist of (i) production facilities, office premises and warehouses with gross floor area of 33,218.43 square metres; and (ii) dormitory with gross floor area of 4,779.27 square metres with 124 rooms in place.

The Group's production has been operating within the Bawang Industrial Complex since August 2013 and further relocated its office premises and production facilities to the current location in 2017, which such lease had been renewed in 2021. As advised by the management of the Company, the Directors (excluding the INEDs) and management of the Group believe the co-location of office premises, production facilities and warehouses have been conducive in further improving the operational efficiency of the Group through, among other things, enhancing interaction between the Group's management staff and its production staff, hence, it is necessary to renew the lease so that the operation of the Group at the Bawang Industrial Complex can continue. We consider that, upon the renewal of lease for the Premises, the Group will be able to maintain the stability of the operation of business of the Group without the need for relocation of the entire production and business operation site which may cause unnecessary costs and disruption to the operations of the Group.

Furthermore, it is also expected that the stable and positive relationship built with the local governmental authorities over the years can be maintained by continuing the Group's presence in Baiyun District and the Group shall be able to enjoy favourable government policies and incentives, which are essential to the sustainable and long-term success of the business operation and financial

performance of the Group. Such benefits include incentives on staff recruitment and export tax rebate (Further details of such favourable government policies and incentives are outlined in the Letter from the Board).

We have obtained a layout plan of the Bawang Industrial Complex and we noted there are utility supplies including heating furnace, waste discharge and processing facilities, which are essential to the Group's production operations. We have been advised by the management of the Company that the Group is allowed to use these supporting facilities and the Group has not been required to pay for the construction cost. It is also noted that the Bawang Industrial Complex is in close proximity to major highways namely the Guanghua 1st Class Highway (廣花一級公路) and Shenyang-Haikou Expressway (瀋海高速). The Group shall enjoy logistics convenience on procurement of raw material and delivery of finished products.

The rental under the 2026 Lease Agreement is approximately RMB16.00 per sq.m. per month, representing a decrease of approximately 15.07% as compared to the rental of RMB18.84 per square metre per month under the Existing Lease Agreements, for the same leased premises with the same gross floor area leased. We consider that the entering into the 2026 Lease Agreement can alleviate the Group's financial burden on rental payment.

Having considered the above, we concur with the Directors that the 2026 Lease Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2026 Lease Agreement

Summarised below are the principal terms of the 2026 Lease Agreement:

Date	:	10 April 2026
Parties	:	Guangzhou Bawang as lessor; and Bawang Guangzhou as lessee
Leased premises	:	Certain premises located within the Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC
Total gross floor area leased	:	37,997.70 sq.m.
Usage	:	Production facilities, office premises, warehouses and staff dormitory
Term of the lease	:	Subject to and conditional upon the approval of the Independent Shareholders being obtained at the EGM, the term shall be five years, commencing from 1 July 2026 to 30 June 2031

Monthly rental : RMB16 per sq.m., or in total RMB607,963.20 (inclusive of tax)

The rent shall be paid monthly and the rent for each month must be paid before the 10th day of that month.

The monthly rental is exclusive of management fees and other outgoings, which are payable to an independent third party management company.

Further details of the principal terms of the 2026 Lease Agreement are outlined in the Letter from the Board.

4. Assessment on the principal terms of the 2026 Lease Agreement

(i) *The rental fee under the 2026 Lease Agreement*

As set out in the Letter from the Board, the rent payable under the 2026 Lease Agreement was determined after arm's length negotiations between the parties, with reference to the rent of comparable premises in nearby location and the Fair Rent Letter prepared by the Independent Valuer.

In assessing the fairness and reasonableness of the rent payable by the Company under the 2026 Lease Agreement, we have obtained and reviewed the Fair Rent Letter issued by the Independent Valuer which set out their assessment of market rent for the Premises as at 28 February 2026.

(a) *Independent Valuer's background, qualifications and experience*

As part of our due diligence, we have interviewed the Independent Valuer and conducted an enquiry into its background, qualifications and experiences. According to our interview and the information provided by the Independent Valuer, we are given to understand that the Independent Valuer is a qualified valuation firm with solid experience in conducting property valuation and assessing the fairness and reasonableness of market rent of Premises for major clients including listed companies and multinational corporations. The valuation project is led by Mr. Eddie Yiu, who is a chartered surveyor. He has over 33 years of experience in the valuation of premises in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. We further noted that team members of the Independent Valuer possess various professional qualifications in Hong Kong, the PRC and overseas, including but not limited to Members of the Hong Kong Institute of Surveyors, Member of the Royal Institution of Chartered Surveyors, Registered Professional Surveyor (General Practice) and holders of real estate related academic degrees. We also noted that they have 7 years to 20 years of experience in business valuation, asset valuation, financing and merger and acquisition

projects. As such, we are of the view that the Independent Valuer and the person responsible for preparing and signing the Fair Rent Letter are qualified, experienced and competent in performing asset valuations.

We have also enquired with the Independent Valuer as to its independence from the Group (including other parties to the transaction, and core connected persons of either the Group or another party to the transaction) and were given the understanding that the Independent Valuer is an independent third party of the Group and its connected persons. Furthermore, we are being advised that apart from normal professional fees paid or payable to them in connection with their appointment as the Independent Valuer, no other arrangements exist whereby they will receive any fees or benefits from the parties to the transaction.

Moreover, we have reviewed the terms of engagement of the Independent Valuer and further noted that its scope of work is appropriate to form the opinion required to be given and there are no limitation on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Fair Rent Letter.

In light of the above as a whole, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuation and provide a reliable opinion in respect of the valuation of the fair market rent of the Premises. We therefore consider it appropriate to rely on their work and opinion.

(b) *Basis and assumptions adopted in the Fair Rent Letter*

We have reviewed the Fair Rent Letter and understand that the Fair Rent Letter was prepared in compliance with all the requirements contained in the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council. We consider the above to be acceptable and in line with market practice.

The Independent Valuer's assessment of the fair market rent has been made on the assumptions that the lessor leases the properties in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the rental of the properties. We have obtained the certificate of title of the Premises and upon our review, we consider all assumptions to be general and commonly adopted assumptions in valuation reports. Since no other unusual matters had come to our attention in this respect, we consider the basis and assumptions adopted in the Fair Rent Letter to be fair and reasonable.

(c) *Methodology adopted in the Fair Rent Letter*

According to the Fair Rent Letter, in assessing the fairness and reasonableness of the monthly rent of the Premises, the Independent Valuer has adopted the market approach in its assessment by referring to comparable market rent transactions/asking rent in the assessment of the fair market rent of a property in the same vicinity. This approach rests on the wide acceptance of the market rent transactions as the best indicator and pre-supposes that evidence of relevant rent transactions in the marketplace can be extrapolated to similar Premises, subject to allowances for variable factors. In this regard, we have reviewed similar property rental valuations conducted by other listed companies on the Stock Exchange and noted that such methodology, basis and assumptions are commonly adopted. Upon our enquiry, we are being advised that the Independent Valuer considered the other two generally accepted valuation approaches, namely the income approach and the cost approach, are not suitable because (i) the income approach was not practicable as no estimation of future economic benefits to be derived from ownership of the property interests is available; and (ii) the cost approach was considered not suitable as it only considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation, taking into consideration past and present maintenance policy and rebuilding history.

As the market approach makes reference to the market level rental of similar Premises in nearby area, we concur with the view of the Independent Valuer that the market approach is a fair and reasonable approach to determine the monthly rent of the Premises.

(d) *Monthly rent of the Premises*

The Independent Valuer has identified a total of 3 rental references of similar premises nearby the Premises with similar established facilities and similar building conditions (the “**Comparable References**”) for comparable analysis. The Independent Valuer has obtained rental references of the Comparable References, of which the asking rent for one of the Comparable References was RMB17 per sq.m. per month, one of the Comparable References was RMB19 per sq.m. per month, and the asking rent for the remaining Comparable Reference was RMB20 per sq.m. per month, from public sources through its own research.

Summarised below are certain details of each of the Comparable References:

Comparable Reference	Location	Approx. distance to Bawang Industrial Complex (km)	Leasable area (square metre)	Usage	Interior condition	Unit rental (per square metre per month)
Guangzhou No. 1 Hard Technology Park (白雲1號硬科技產業園)	Jujia Road, Baiyun District, Guangzhou	0.6	2,700	Industrial	Similar	17.10
Mitsui Intelligent Manufacturing Base (魅視智造基地)	Minhui Second Road, Baiyun District, Guangzhou	8.4	3,500	Industrial	Similar	18.90
Guangzhou National Private Science and Technology Park (廣州民營科技園)	Beitai Road, Baiyun District, Guangzhou	9.6	14,700	Industrial	Similar	19.80

We have reviewed the sources of the Comparable References and noted that they are genuine references publicly available on the www.58.com and www.anjoke.com. We also noted that all the Premises under the Comparable References are for industrial use, which is the same as the Premises.

The Valuer then considered various factors based on its professional experience in respect of the rental reference for each Comparable Reference, including but not limited to transaction factors, leasable size, location and proximity and the condition of the buildings erected thereon, to derive the fair market rent of the Premises. The Independent Valuer confirmed that all the factors considered are conform to the market practice and the Independent Valuer has used their professional judgement and experience in performing similar assessment works to assign weightings to the factors when applying adjustments, which is also conducted in the same manner as required by the HKIS Valuation Standards. Based on our discussion and review on the information of the Comparable References, including but not limited to distance to Bawang Industrial Complex, property type, year of completion, leaseable area, monthly rent, nature and interior condition of the Comparable References as provided by the Independent Valuer, we noted that the Independent Valuer has made necessary adjustments based on factors, which include, among others, the differences in location, building age, size, interior quality and utilities furnishing standard between the Comparable References and the Premises. With reference to similar transactions published by companies listed on the Stock Exchange, it is noted that the aforesaid adjustment factors are the common adjustment factors mentioned in similar valuation report of respective transactions. Based on our discussion and our review of the information of the Comparable References, we consider that the adjustments made by the Independent Valuer were appropriate.

As set out in the Letter from the Board, the adjustment range applied by the Independent Valuer on adjustment factors is between -3% to 5% . Upon our discussion with the Independent Valuer and our review on the breakdown and underlying reasons of adjustments applied, we are being advised that the Independent Valuer has taken into account various factors which include, among others, i) smaller leaseable area of the Comparable References usually have higher unit rent rate. While Group's rental area is larger and the rent shall be negatively adjusted; ii) the location of certain Comparable References is more prestigious, hence respective rent shall be positively adjusted; and iii) based on market data, the asking rent is usually higher than transacted rent, therefore the rent shall be negatively adjusted, in determining the level of adjustments to be made on each adjustment factors. Based on the aforementioned work done, we have not identified abnormal adjustments made which would cast doubt on the appropriateness of the result of the Fair Rent Letter.

Taking into account that (i) the Comparable References are appropriately selected for performing the rental valuation of the Premises based on the expertise of the Independent Valuer; (ii) the adjustment factors applied on arriving the fair market rents of the Premises are commonly adopted in similar rental valuation; and (iii) the adjustments were applied based on the Independent Valuer's professional judgment and experience and in accordance with the HKIS Valuation Standards, we consider the adjustments applied are fair and reasonable when determining the fair market rent.

We understood from the Independent Valuer that the monthly market rent of the total gross floor area of the Premises in existing state as at 28 February 2026 was approximately RMB18 per square metre which is within the range, lower than the mean and equivalent to the median of the rental reference of the Comparable References.

For cross-checking purpose, we have reviewed the relevant rental evidences of similar industrial properties in Baiyun District Guanghua area of Guangzhou as extracted from the public website (www.anjuke.com and www.99cfw.com) in relation to rental of industrial real estates available. Based on our review, on a best effort basis and excluding those stated "negotiable" on rental, we have identified a remaining of 13 industrial real estates, which is exhaustive at the time of our review, and their monthly unit rental ranged from approximately RMB15–26 per sq.m., depending on floor, view, size, renovation and internal conditions etc. As these examples all relate to rental of industrial real estates situated within the same area as the Premises and such information is publicly available on representable PRC properties transaction websites, we considered the rental evidence reviewed is considered to be fair and representative in assessing the rental of the Premises. The market rental value of the Premises appraised by the Independent Valuer is RMB18.20 per sq.m. which is within the range of the above-mentioned unit price identified by us.

Having considered all factors discussed in this section as a whole, we consider the rental fee under the 2026 Lease Agreement is fair and reasonable, to be in line with the industry norm and on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties of similar premises.

(ii) The duration of the 2026 Lease Agreement

Pursuant to the 2026 Lease Agreement, the duration of the 2026 Tenancy Agreement is five years. In assessing the reasons for a period exceeding three years for such agreement is required and to confirm that it is normal business practice for agreements of this type to be of such duration, we have considered the following factors based on information provided by the management of the Company as well as publicly available information.

As set out in the Letter from the Board and as advised by the management of the Company upon our enquiry, the reasons considered by the Group in determining a total rental term of five years for the Properties include (i) the Group's primary production facilities has been operating within the Bawang Industrial Complex since August 2013, it is believed that the primary factor in achieving a sustainable growth is the stable daily operation and production of the principal business of the Group, which requires substantial investment in production facilities. It is thus normal and customary for a manufacturer, like the Group, to enter into a long-term lease with its lessor to ensure a smooth and stable operation and enable the business to optimise the potential return on its investments (which includes initial set up costs and investment on machinery and other fixed assets); (ii) a comparatively long duration will enable the Group to prevent any unnecessary cost, effort, time and interruption of business caused by the relocation in the case of shorter term lease. In addition, it will help strengthen the Group's relationship with local government authorities, so that the Group could establish plan on the long-term strategy in relation to the future business development; (iii) the lessor agreed a fixed monthly rental, and without any rent increment clause, across the entire duration under the 2026 Lease Agreement, hence a longer duration of rental agreement would also allow the Group to have better control on budgeting from financial perspective.

Based on the above considerations, we consider that it would be commercially justifiable and economical, and beneficial to the Group and the Shareholders as a whole, in reaching a rental term exceeding three years.

We have also reviewed, on a best effort basis, announcements published by companies listed on the Stock Exchange involving the entering into of tenancy agreements in relation to land, properties and/or premises of a similar nature from 1 January 2026 to Latest Practicable Date and noticed there were other examples of tenancy agreements with lease term ranging from two months to 20 years. As such, we are of the view that the 5-year tenure under the 2026 Lease Agreement is a normal commercial term for a transaction of this nature and it is normal business practice for an agreement of this type to be of such a duration.

(iii) Conclusion on the overall principal terms of the 2026 Lease Agreement

Having considered (i) our due diligence work on the Fair Rent Letter as discussed in the sections above; (ii) the total annual rent of the Premises under the 2026 Lease Agreement is fair and reasonable based on the opinion of Independent Valuer as set out in the Fair Rent Letter; and (iii) our review on other terms of the 2026 Lease Agreement and noted that they are on normal commercial terms, we consider the terms and conditions of the 2026 Lease Agreement and transactions contemplated thereunder, including the rental fees thereunder, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the 2026 Lease Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the 2026 Lease Agreement and the transactions contemplated thereunder is conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2026 Lease Agreement and transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

SILVER NILE GLOBAL INVESTMENTS LIMITED



Alan Lam

Managing Director

Note: Mr. Alan Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Silver Nile Global Investments Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 13 years of experience in corporate finance advisory in Hong Kong.