红日资本有限公司
RED SUN CAPITAL LIMITED

12 November 2026

To: The Independent Board Committee of Sling Group Holdings Limited

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY SANFULL SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 12 November 2026, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 6 October 2026, (a) the Offeror (as purchaser) and Vendor A (as vendor) entered into the Sale and Purchase Agreement A for the sale and purchase of 224,000,000 Shares (namely the Sale Shares A), representing 40.0% of the Shares in issue as at the date of the Joint Announcement at a total consideration of HK$32,032,000, equivalent to HK$0.143 per Share; (b) CSI Floorings (as purchaser) and Vendor A (as vendor) entered into the Sale and Purchase Agreement B for the sale and purchase of 67,838,960 Shares (namely the Sale Shares B), representing approximately 12.11% of the Shares in issue as at the date of the Joint Announcement at a total consideration of HK$9,700,971.28, equivalent to HK$0.143 per Share; and (c) GanLan Investments (as purchaser) and Vendor B (as vendor) entered into the Sale and Purchase Agreement C for the sale and purchase of 128,161,040 Shares (namely the Sale Shares C), representing approximately 22.89% of the Shares in issue as at the date of the Joint Announcement at a total consideration of HK$18,327,028.72, equivalent to HK$0.143 per Share.

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Completion under the Sale and Purchase Agreements are inter-conditional on each other and shall take place simultaneously on the Completion Date. Completion took place on 26 October 2026.

Immediately before Completion, the Offeror, its ultimate beneficial owner and the parties acting in concert with it (including CSI Floorings, GanLan Investments and their respective ultimate beneficial owners) did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Immediately following the Completion and as at the Latest Practicable Date, each of the Vendors has ceased to have any interest in the Shares, where the Offeror and the parties acting in concert with it are interested in 420,000,000 Shares (comprising 224,000,000 Shares held by the Offeror; 67,838,960 Shares held by CSI Floorings; and 128,161,040 Shares held by GanLan Investments), representing in aggregate 75.0% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned by the Offeror and the parties acting in concert with it (including CSI Floorings, GanLan Investments and their respective ultimate beneficial owners)).

As at the Latest Practicable Date, the Company has 560,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

THE INDEPENDENT BOARD COMMITTEE

An independent board committee, comprising Mr. Won Chik Kee, Mr. Wai Yau Hang and Ms. Sit Ting Fong, each an independent non-executive Director, who have no direct or indirect interest in the Offer, has been formed to make recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

Given that the non-executive Directors, namely Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy, are the shareholders of Vendor A, which is owned as to approximately 49.3120% by Mr. Yau Tai Leung Sammy, approximately 49.2321% by Mr. Yau Sonny Tai Nin, the non-executive Directors are excluded from the Independent Board Committee due to their material interest in the Sale and Purchase Agreements.

We, Red Sun Capital, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in relation to the Offer. Pursuant to Rule 2.1 of the Takeovers Code, our appointment has been approved by the Independent Board Committee. Our role as independent financial adviser is to give our recommendation to the Independent Board Committee as to (i) whether the Offer is fair and reasonable as far as the Independent Shareholders are concerned; and (ii) whether the Independent Shareholders should, or should not, accept the Offer.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Vendors or the Offeror and any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are qualified to give independent advice to the Independent Board Committee in respect of the Offer.

In the previous two years, save for this appointment as the independent financial adviser for the Offer, we did not act as a financial adviser to the Company, the Offeror and its concert parties or an independent financial adviser to the Company, the Offeror and its concert parties. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provide to us by the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. 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 Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers, the Management and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Company, the Vendors, the Offeror and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the

prospects of the markets in which they respectively operate. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us at the Latest Practicable Date.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, 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. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL TERMS OF THE OFFER

As set out in the Letter from Sanfull Securities, Sanfull Securities, on behalf of the Offeror and in compliance with the Takeovers Codes, makes the Offer on the terms set out in the Composite Document and in the Acceptance Form, in accordance with the Takeovers Code on the following basis:

For each Offer Share..... HK$0.143 in cash

The Offer Price of HK$0.143 per Offer Share under the Offer is equal to the price per Sale Shares paid by each of the Offeror, CSI Floorings and GanLan Investments under the Sale and Purchase Agreements.

The Offeror confirms that the Offer Price is final and will not be increased. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. As at the Latest Practicable Date, none of the members of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them has received any irrevocable commitment to accept or not to accept the Offer.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching thereto, including but not limited to all rights to any dividend or other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document.

The procedures for acceptance and further details of the Offer are set out in Appendix I to the Composite Document and the accompanying Acceptance Form.

If after the date of the Composite Document, any dividend, distribution and/or return of capital is announced, declared, made and/or paid in respect of the Shares, the Offeror will reduce the Offer Price by the gross amount of the dividend, distribution and/or return of capital paid or made by the Company in respect of each Offer Share to such Independent Shareholders who accept or have accepted the Offer, and, unless otherwise specified or the context otherwise requires, any reference in the Joint Announcement, this Composite Document or any other announcement in relation to the Offer to the Offer Price will be deemed to be a reference to the Offer Price so reduced. Any such reduction will only apply to the Offer Shares in respect of which the Offeror will not be entitled to the relevant dividend, distribution and/or return of capital.

The Company confirms that as at the Latest Practicable Date, (i) it has not declared any dividend or other distributions which have not yet paid; and (ii) it does not have any intention to make, declare or pay any future dividend/make other distributions until after the close of the Offer.

Comparison of value

As set out in the Letter from Sanfull Securities to the Composite Document, the Offer Price of HK$0.143 per Offer Share represents:

(i) a discount of approximately 19.2% over the closing price of HK$0.177 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 34.9% over the closing price of HK$0.106 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 38.8% over the average closing price of HK$0.103 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 45.9% over the average closing price of approximately HK$0.098 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 81.0% over the average closing price of HK$0.079 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately HK$0.162 over the audited consolidated net liabilities per Share of approximately HK$0.019 as at 31 December 2025, which was calculated based on the Group's audited consolidated net liabilities of approximately RMB9,017,000 (equivalent to approximately HK$10,504,426) as at 31 December 2025 and 560,000,000 Shares in issue as at the Latest Practicable Date; and

(vii) a premium of approximately HK$0.155 over the unaudited consolidated net liabilities per Share of approximately HK$0.012 as at 30 June 2026, which was calculated based on the Group's unaudited consolidated net liabilities of approximately RMB5,746,000 (equivalent to approximately HK$6,693,849) as at 30 June 2026 and 560,000,000 Shares in issue as at the Latest Practicable Date.

Highest and lowest Share Prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.202 per Share (on 26 October 2026) and HK$0.028 per Share (on 30 April 2026, 4 May 2026, 5 May 2026 and 6 May 2026), respectively.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group and outlook

1.1 Principal business of the Group

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of design, promote and sell women's handbags, small leather goods and travel goods in the PRC.

1.2 Historical financial information of the Group

We herewith set out a summary of the published financial information of the Group (i) for the years ended 31 December 2024 and 2025 as extracted from the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**"); and (ii) for the six months ended 30 June 2025 and 2026 as extracted from the interim report for the six months ended 30 June 2026 (the "**2025 Interim Report**") and the interim report for the six months ended 30 June 2025 for the six months ended 30 June 2026 (the "**2026 Interim Report**"), respectively:

Summary of the Group's consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June		Year ended 31 December	
	2026	**2025**	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
				(Re-presented)
Revenue	38,083	32,222	65,603	66,592
Cost of sales	(17,119)	(13,682)	(28,279)	(31,849)
Gross Profit	20,964	18,540	37,324	34,743
Profit/(Loss) for the period/ year	3,310	69	44	(10,689)

*Consolidated financial performance of the Group for the six months ended 30 June 2026 ("**1H2026**") and 30 June 2025 ("**1H2025**")*

As set out in the 2026 Interim Report, the Group's revenue increased by approximately RMB5.9 million or 18.3% from approximately RMB32.2 million for 1H2025 to approximately RMB38.1 million for 1H2026 as the Group has implemented the business plan of focusing on its core business, i.e. women's handbags and disposed the interest of joint venture in luggage and accessories in 2025. The Group's revenue from continuing operations is principally derived from online retail sales, representing approximately 86.1% of total sales (1H2025: RMB28.2 million, representing approximately 87.6% of the total sales).

Gross profit of the Group's continuing operations achieved approximately RMB21.0 million for 1H2026, representing an increase of approximately RMB2.5 million or 13.5% as compared to RMB18.5 million for 1H2025, which was primarily attributable to the increase in sales as a result of the Group's continuous marketing effort during the period.

Selling and distribution costs from continuing operations increased by approximately 16.7%, from approximately RMB16.2 million for 1H2025 to approximately RMB18.9 million for 1H2026, which was mainly attributable to (i) higher commission on online sales paid to online sales platforms as commission is directly linked to sales amount, hence, higher commission paid was in line with the increase in sales; (ii) increased online shop expenses which comprised traffic acquisition, advertising and promotional costs, including paid search and display advertising, campaign promotions, affiliate marketing, and related advertising content production; and (iii) higher royalty cost paid to the principal of ELLE brand as the Group is a licensee to use the brand, royalty fee is directly linked to sales amount, hence, higher royalty fee is in line with the increase in sales for the period.

The profit for the period from continuing operations amounted to approximately RMB3.3 million for 1H2026, representing an increase of approximately 46.8 times as compared to profit for the period from continuing operations of approximately RMB69,000 for 1H2025. The increase in profit for 1H2026 was mainly attributable to (i) the marketing effort such as advertising and promotion, to improve sales; (ii) the growth in sales in terms of percentage is higher than the increase in selling and distribution costs; and (iii) increase in other revenue and other income from approximately RMB3.5 million for 1H2025 to approximately RMB6.3 million for 1H2026, as the Group managed to derive more income related to sub-licensing ELLE brand to independent third parties, which will design and/or manufacture/sell luggage and accessories as well as women's handbags, in return, the Group received sub-licensing fee.

*Consolidated financial performance of the Group for the years ended 31 December 2025 ("**FY2025**") and 31 December 2024 ("**FY2024**")*

As set out in the 2025 Annual Report, the Group recorded revenue of approximately RMB65.6 million for FY2025 which was relatively stable as compared to that of approximately RMB66.6 million for FY2024, representing a modest decrease of approximately RMB1.0 million or approximately 1.5%, which was mainly attributable to the decrease in sales from online retail sales, being online sales to direct customers from approximately RMB61.4 million for FY2024 to approximately RMB57.4 million for FY2025. Online retails sales to direct customers continued to be the largest contributor to the Group, representing approximately 87.5% of the total sales for FY2025 (FY2024: 92.2% of the total sales). The Group's revenue also comprised wholesale to online retailers, which, in turn, will sell to their own target customers, and recorded approximately RMB7.8

million for in revenue FY2025 as compared to approximately RMB4.3 million for FY2024. The Group's wholesale to online retailers contributed approximately 11.8% of the total sales for FY2025 (FY2024: 6.5% of the total sales).

Gross profit of the Group's operations has increased by 7.5% from approximately RMB34.7 million for FY2024 to approximately RMB37.3 million for FY2025. For FY2025, the Group also recorded decrease in selling and distribution by 4.9% and a reduction of administrative expenses by 18.9% as compared to FY2024, respectively, reflecting tighter cost control and leaner operations by reducing senior staffs and number of staff. The profit for the year amounted to approximately RMB44,000 for FY2025 compared to a loss for the year of the Group of approximately RMB10.7 million for FY2024, which was mainly resulted from the (i) higher overall gross profit margin of the Group; (ii) lower selling and distribution expenses due to decrease in marketing, delivery cost and advertising expenses; and (iii) decrease in administrative expenses which was mainly attributable to lower staff cost.

Summary of the Group's consolidated statement of financial position

	As at 30 June		As at 31 December	
	2026	**2025**	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB000*	*RMB000*
	(unaudited)	*(unaudited)* *(note)*	*(audited)*	*(audited)*
Non-current assets	5,426	5,287	5,374	5,031
Current assets	31,361	23,471	27,899	28,395
Total assets	36,787	28,758	33,273	33,426
Current liabilities	31,754	28,581	31,408	33,542
Non-current liabilities	10,779	11,701	10,882	11,472
Total liabilities	42,533	40,282	42,290	45,014
Capital deficiency attributable to owners of the Company	5,746	9,781	9,017	9,845
Cash and cash equivalents	**14,307**	**4,587**	**8,262**	**8,168**

Note: On 16 June 2025, the Group's indirectly wholly-owned subsidiary entered into an equity transfer agreement, to sell 51% of registered capital of its non-wholly owned subsidiary, Sencai Trading (Shanghai) Company Limited ("**Sencai Trading**"). Due to the Group has committed to a plan to sell the Sencai Trading (the "**Disposal Group**") prior to 30 June 2025, the Disposal Group has been reclassified as "Discontinued operations" and its assets and liabilities also reclassified as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale". For information purposes only, the assets of the Disposal Group amounted to approximately RMB1.9 million has been included

under "current assets" and the liabilities of the Disposal Group amounted to approximately RMB23,000 has been included under "current liabilities" under the Group's consolidated statement of financial position as at 30 June 2025 as indicated above.

Consolidated financial position as at 30 June 2026 compared to 31 December 2025

The Group's total assets amounted to approximately RMB36.8 million as at 30 June 2026, representing an increase of approximately 10.6% as compared to approximately RMB33.3 million as at 31 December 2025, which mainly comprised (i) inventories of approximately RMB8.7 million, representing a decrease of approximately 4.4% as compared to approximately RMB9.1 million as at 31 December 2025; (ii) trade and other receivables of approximately RMB8.0 million, representing a decrease of approximately 21.6% as compared to approximately RMB10.2 million as at 31 December 2025; and (iii) cash and cash equivalents of approximately RMB14.3 million, representing an increase of approximately 72.3% as compared to approximately RMB8.3 million as at 31 December 2025, such substantial increase was mainly attributable to cash generated by the increased in sales as mentioned under the heading "Consolidated financial performance of the Group for the six months ended 30 June 2026 ("**1H2026**") and 30 June 2025 ("**1H2025**")" above.

The Group's total liabilities amounted to approximately RMB42.5 million as at 30 June 2026, representing a slight increase of approximately 0.5% as compared to approximately RMB42.3 million as at 31 December 2025, which mainly comprised (i) trade and other payables of approximately RMB15.6 million; (ii) bank borrowings of approximately RMB15.5 million; and (iii) loan from shareholders of approximately RMB9.9 million.

As at 30 June 2026, the capital deficiency attributable to owners of the Company amounted to approximately RMB5.8 million, representing a reduction of approximately 35.5% as compared to approximately RMB9.0 million as at 31 December 2025.

Gearing ratio is defined as total debts, including bank borrowings, loans from shareholders and loan from a director ("**Total Borrowings**") over equity attributable to owners of the Company. As at 30 June 2025 and 2026, Total Borrowings of the Group amounted to approximately RMB27.5 million and RMB26.5 million, respectively and as at 30 June 2025 and 2026, the capital deficiency attributable to owners of the Company amounted to approximately RMB9.8 million and RMB5.8 million, respectively. Given that the Group experienced net liabilities as at 30 June 2025 and 2026, respectively, thus, making the gearing ratio analysis not applicable.

Consolidated financial position as at 31 December 2025 compared to 31 December 2024

The Group's total assets amounted to approximately RMB33.3 million as at 31 December 2025, representing a slight decrease of approximately 0.3% as compared to approximately RMB33.4 million as at 31 December 2024, which mainly comprised (i) inventories of approximately RMB9.1 million, representing a decrease of approximately 18.0% as compared to approximately RMB11.1 million as at 31 December 2024; (ii) trade and other receivables of approximately RMB10.2 million, representing an increase of approximately 70.0% as compared to approximately RMB6.0 million as at 31 December 2025; and (iii) cash and cash equivalents of approximately RMB8.3 million, representing an increase of approximately 1.2% as compared to approximately RMB8.2 million as at 31 December 2025.

The Group's total liabilities amounted to approximately RMB42.3 million as at 31 December 2025, representing a decrease of approximately 6.0% as compared to approximately RMB45.0 million as at 31 December 2024, which mainly comprised (i) trade and other payables of approximately RMB15.5 million; (ii) bank borrowings of approximately RMB15.6 million; and (iii) loan from shareholders of approximately RMB10.0 million.

As at 31 December 2025, the capital deficiency attributable to owners of the Company amounted to approximately RMB9.0 million, representing a reduction of approximately 8.2% as compared to approximately RMB9.8 million as at 31 December 2024.

As at 31 December 2024 and 2025, Total Borrowings of the Group amounted to approximately RMB28.2 million and RMB26.5 million, respectively and as at 31 December 2024 and 2025, the capital deficiency attributable to owners of the Company amounted to approximately RMB9.8 million and RMB9.0 million, respectively. Given that the Group experienced net liabilities as at 31 December 2024 and 2025, respectively, thus, making the gearing ratio analysis not applicable.

Our view

Taking into account that (i) the Group reported a profit for FY2025 and for 1H2026, which is a turnaround from the loss for FY2024, it was only approximately RMB44,000 and RMB3.3 million, respectively; (ii) the Group recorded a capital deficiency attributable to owners of the Company as at 30 June 2026; and (iii) the competitive environment of the online sales market in the PRC as discussed under the section headed "1.3 Industry outlook" below, we are of the view that the Group is still operating under challenging conditions.

1.3 Industry outlook

The Group is principally engaged in the design, promotion and sale of women's handbags, small leather goods, luggage and travel goods in the PRC. The Group is accountable for the design and sale of the products while engaging other manufacturers to manufacture its products. The Group focuses on the mass market in the PRC. As noted from the research published by the National Bureau of Statistics of China (the "**Statistics Bureau**") in December 2025[1], China's retail sales of clothing, footwear, headwear and knitwear grew by only approximately 3.2% in 2025, while online retail sales of wearables grew by just 1.9%, highlighting subdued consumer demand for discretionary apparel and accessories. The State of Fashion 2026[2] mentioned that the disposable income growth also expected to fall below 2024 and 2025 levels. It is projected that China's fashion market will grow by only 1% to 3% in 2026 and consumers continue to rethink their spending, seeking value and devoting more of their budgets to other goals, including their own health and wellbeing. The whitepaper "Inside China's Handbag Market Reset"[3] launched by Digital Luxury Group[4] and Re-Hub[5] stated that the market is favouring premium disruptors and culturally resonant labels over traditional luxury incumbents. According to the research of Euromonitor International Limited[6], the bags and luggage market in China is fragmented. Consequently, mass brands face a challenging climate where value-seeking consumers are continuously trading down across purchase categories to mitigate economic slowdowns.

On the demand side, consumer attention and transactions are increasingly concentrating on the livestreaming e-commerce channel, which presents opportunities for the Company. According to the Statistics Bureau, China's online retail sales reached RMB15.97 trillion in 2025, represents a year-on-year growth of 8.6%. Furthermore, the cumulative total retail sales of consumer goods reached

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1 *Research published by Statistics Bureau (source: https://www.stats.gov.cn/sj/zxfb/202601/t20260119_1962323.html#1)*

2 *The State of Fashion 2026, a publication co-published by McKinsey & Company, Inc., a management consulting firm founded in 1926 that offers consultation to various industries and worldwide clients, and The Business of Fashion Ltd, a global media and intelligence company for the fashion, beauty and luxury industries since 2016 (source: https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2026/the-state-of-fashion-2026-vf.pdf)*

3 *Inside China's Handbag Market Reset (source: https://back.digitalluxurygroup.com/uploads/Inside_China_s_Handbag_Market_Reset_1c65fc35e3.pdf)*

4 *Digital Luxury Group ("**DLG**"), founded in 2011, is an independent marketing and technology group that provides social media, e-commerce, CRM, consulting, and creative services to luxury and lifestyle brands. DLG also publishes a trusted intelligence platform for luxury executives, offering a global perspective on the industry through exclusive studies, reports, analysis, features, and in-depth interviews with industry leaders*

5 *Re-Hub founded in 2017, and acquired by DLG in 2024 and specialises in AI-driven business intelligence solutions for luxury brands and provides actionable insights across social media, e-commerce, grey markets, and pre-owned channels — enabling brands to optimise strategy and commercial performance*

6 *Euromonitor International Limited, an independent provider of global business intelligence, market analysis and consumer insights founded in 1972, supported by analysts embedded in over 100 markets and researching in 210 countries and jurisdictions*

approximately RMB37.0 trillion as of September 2026, representing a year-on-year increase of 1.1%, and after taken into account the increase in consumer price index ("**CPI**"), being an indicator of rate of inflation, for consumer goods in the PRC of approximately 1.0%[7], the growth rate after inflation is therefore minimal (i.e. on the basis that year-on-year increase of growth of retail sales of consumer goods of approximately 1.1% minus CPI of 1.0%, the retails sales of consumer goods experienced minimal growth). Based on the 2025 Annual Report, we noted that, for FY2025, revenue generated from sale of women's handbags or related products approximately RMB65.6 million in the PRC excluding Hong Kong, which was mainly derives from the online retail sales and wholesale to online retailers with approximately RMB65.2 million. The Company relies on "online-first, livestreaming-driven" strategy, which uses livestreaming to capture traffic, use artificial intelligence to optimize inventory and trade forecast, and wholesale to mitigate the financial risks of direct-to-consumer sales. This online strategy implemented by the Company led to high selling and distribution costs accounting for approximately 50% of revenue, which are driven by platform commissions, livestreaming traffic acquisition and advertising expenses. We are of the view that while the online strategy applied by the Group might benefit from the massive online sales market in the PRC and its market potential, the Group will continue to face challenges associated with the competitive environment in the online sales market in the PRC given the relatively low barrier to entry associated with the new participants to the industry, such as lower startup and operating expenses as no physical shop is required as well and sales channel can carried out online, consumers' cautious spending behavior to mitigate economic slowdowns as well as weak growth in sales prospect.

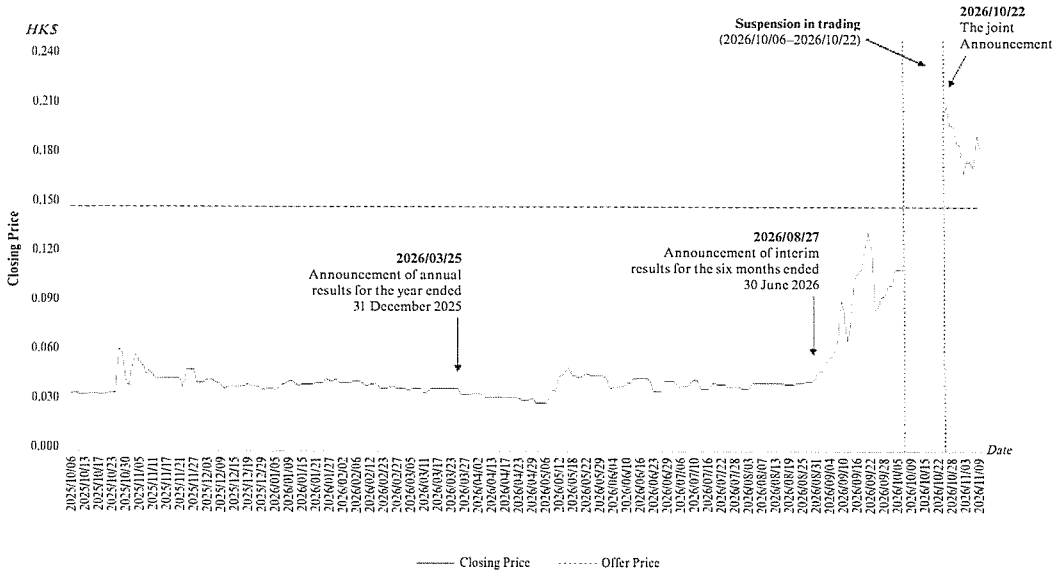
Having considered (i) the historical performance of the Group for FY2024, which recorded loss for the year of approximately RMB10.7 million; (ii) the Group reported a profit of only approximately RMB44,000 for FY2025 and approximately for RMB3.3 million for 1H2026; and (iii) the competitive environment faced by the Group's online business in the PRC, we are of the view that although the Group's financial performance has shown signs of improvement, the Group's existing businesses remain to face challenges under the current situation, The Group will continue to monitor all factors causing market fluctuation in order to ensure the Group is able to respond to market changes in a timely manner.

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7 *Source: www.stats.gov.cn/english/PressRelease/202610/t20261015_1965500.html*

2. Historical Share price performance of the Shares

We have reviewed and analysed the closing prices of the Shares for (i) approximately 12 months immediately prior to Last Trading Day commencing from 6 October 2025 and up to and including the Last Trading Day (the "**First Review Period**"), which is commonly adopted timeframe for similar share price analysis in the market and is considered to be adequately lengthy to illustrate the recent trend of the closing prices of the Shares for our analysis on the consideration of the Offer of HK$0.143 per Share for the purpose of assessing the fairness and reasonableness of the Offer; and (ii) a period commenced from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the "**Second Review Period**" together with the First Review Period, the "**Review Period**") below:



Source: www.hkex.com.hk

First Review Period

As illustrated in the chart above, the closing prices of the Shares fluctuated ranged from approximately HK$0.028 per Share to HK$0.129 per Share during the First Review Period.

The closing price of the Shares fluctuated between HK$0.033 and HK$0.060 from the beginning of the First Review Period up to December 2025. From January 2026 to the trading day immediately before 27 August 2026, being the date of the announcement of interim results of the Company for the six months ended 30 June 2026 (the "**Interim Results Announcement**"), the closing price of the Shares fluctuated between HK$0.028 and HK$0.049. Following the Interim Results Announcement, the closing price of the Shares experienced an increase and reach a peak of HK$0.129 per Share on 21 September 2026.

It is noted that the Offer Price of HK$0.143 per Offer Share is higher than the closing prices of the Shares over the entire First Review Period and represents (i) a premium of approximately 410.7% over the lowest closing price of HK$0.028 per Share; and (ii) a premium of 10.9% over the highest closing price of HK$0.129 per Share during the First Review Period, respectively.

Second Review Period

For the Second Review Period, the closing price per Share ranged from HK$0.161 to HK$0.202 with an average closing price per Share of approximately HK$0.18. The closing price per Share as at the Latest Practicable Date was HK$0.177. The Offer Price of HK$0.143 represents (i) a discount of approximately 20.6% to the average daily closing price of Shares during the Second Review Period; and (ii) a discount of approximately 19.2% to the closing price of Shares as at the Latest Practicable Date.

It is noted that the closing price of Shares experienced a notable increase after publication of the Joint Announcement during the Second Review Period, with the highest closing price of HK$0.202 per Share.

As confirmed by the Directors, save for the information as set out in the Joint Announcement, the Directors were not aware of any matters related to the Group which might have a material effect on the price of Shares. We consider that such fluctuation in the price of Shares after the release of the Joint Announcement may be attributable to market reactions to the Offer and/or potential prospects of the Group being controlled by the Offeror.

To conclude, prior to the Joint Announcement, the Offer Price is well above the range of closing prices of the Shares during the First Review Period.

3. Analysis on historical trading liquidity of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. Set out below is number of trading days with trading in the month/period, average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period:

Month/period	Number of trading days with trading in the month/ period	Total trading volume	Average daily trading volume	Percentage of average trading volume to total number of Shares in issue trading volume *(Note 1)*	Percentage of average trading volume to total number of Shares held by public Shareholders *(Note 2)*
	Days	*Number of shares*	*Number of shares*	*Approximately percentage*	*Approximately percentage*
First Review Period					
2025					
October (*from 6 October 2025*)	11	14,370,000	798,333	0.14%	0.57%
November	15	12,075,000	603,750	0.11%	0.43%
December	7	1,700,000	80,952	0.01%	0.06%
2026					
January	12	1,845,000	87,857	0.02%	0.06%
February	10	4,680,000	275,294	0.05%	0.20%
March	10	4,000,000	181,818	0.03%	0.13%
April	10	4,530,000	238,421	0.04%	0.17%
May	14	22,920,000	1,206,316	0.22%	0.86%
June	9	7,560,000	360,000	0.06%	0.26%
July	11	1,390,000	63,182	0.01%	0.05%
August	10	2,970,000	141,429	0.03%	0.10%
September	21	24,025,000	1,092,045	0.20%	0.78%
October (*up to and including the Last Trading Day*)	2	81,500	27,167	<0.01%	0.02%
Second Review Period					
October (*from 22 October 2026*)	6	68,035,000	11,339,167	2.02%	8.10%
November (*up to and including the Latest Practicable Date*)	6	8,895,000	1,482,500	0.26%	1.06%

Month/period	Number of trading days with trading in the month/ period	Total trading volume	Average daily trading volume	Percentage of average trading volume to total number of Shares in issue trading volume *(Note 1)*	Percentage of average trading volume to total number of Shares held by public Shareholders *(Note 2)*
	Days	*Number of shares*	*Number of shares*	*Approximately percentage*	*Approximately percentage*
			Review Period		
			Maximum	2.02%	8.10%
			Minimum	< 0.01%	0.02%
			Average	0.21%	0.86%
			First Review Period		
			Maximum	0.22%	0.86%
			Minimum	< 0.01%	0.02%
			Average	0.07%	0.28%
			Second Review Period		
			Maximum	2.02%	8.10%
			Minimum	0.26%	1.06%
			Average	1.14%	4.58%

Notes:

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

2. Calculated based on the total number of the Shares held by public shareholders as set out in the Letter from the Board as at the Latest Practicable Date.

3. During the Review Period, the trading in the Shares had been halted on 16 October 2026 and trading was resumed on 23 October 2026.

As illustrated in the table above, during the First Review Period, the average daily trading volume for each month/period as a percentage to the total number of Shares in issue ranged from less than 0.01% to approximately 0.22% with an average of approximately 0.07%. During the same period, the average daily trading volume for each month/period as a percentage to the total number of Shares held by public Shareholders ranged from approximately 0.02% to 0.86% with an average of approximately 0.28%. It is also noted that out of a total of 246 trading days during the First Review Period, there were 104 days with no trading of Shares.

During the Second Review Period, the average daily trading volume for each period as a percentage to the total number of Shares in issue ranged from approximately 0.26% to 2.02% with an average of approximately 1.14%. During the same period, the average daily trading volume for each period as a percentage to the total number of Shares held by public Shareholders ranged from approximately 1.06% to 8.10% with an average of approximately 4.58%. It is noted that the trading liquidity experienced a notable increase after publication of the Joint Announcement during the Second Review Period.

Given that (i) the percentage of average daily trading volume to total number of Shares in issue and to total number of Shares held by public Shareholders are under 0.25% and 1.00% during the First Review Period, respectively; and (ii) the percentage of average daily trading volume to total number of Shares in issue and to total number of Shares held by public Shareholders are under 2.5%% and 8.5% during the Second Review Period, respectively, it is noted that the trading liquidity has increased after the publication of the Joint Announcement (i.e. the Second Review Period), however, it is only a short period compared to the First Review Period whereas the trading liquidity of the Shares has been generally low in the open market.

On this basis, Shareholders should be aware that there is no assurance that the share price will sustain at a level above the Offer Price during and after the Offer Period and realising a relatively sizeable volume of Shares in the open market may potentially impose downward pressure on the price of the Shares.

4. Market comparables analysis

With a view to assess the fairness and reasonableness of the terms of the Offer Price, we have considered the price-to-book ratio(s) (the "**P/B Ratio(s)**"), the price-to-earnings ratio(s) (the "**P/E Ratio(s)**") and the price-to-sales ratio(s) (the "**P/S Ratio(s)**") of the Company, as calculated based on the Offer Price, and its comparable companies. P/B Ratio, P/E Ratio and P/S Ratio are commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained from publicly and readily available information directly to reflect the value of the companies determined by the open market. As mentioned above, given that the Company recorded net liabilities position as at 31 December 2025 and 30 June 2026, making P/B Ratio not applicable for our analysis. We have therefore focused on P/E and P/S ratios as the valuation benchmarks.

Given that the Group's principal subsidiaries are principally engaged in provision of design, promotion and sales women's handbags, small leather goods and travel goods in the PRC, we have selected comparable companies which are (i) listed on the Stock Exchange without suspension of trading in its shares on the Last Trading Day; (ii) engages in principal business similar to those of the Group, namely, design, promotion and/or sale of handbags or leather related products (excluding the sale of pre-owned handbags or leather related products), and contributed over 50% of their total revenue for their respective latest completed financial year; (iii) under the sector named "Consumer Discretionary — Textiles & Clothing — Other Accessories" based on the Hang Seng Industry Classification System provided by Hang Seng Indexes Company Limited, which is the same as the Company; and (iv) a market capitalisation of not less than HK$50.0 million and not more than HK$100.0 million as at the Last Trading Day, which was determined with reference to the implied market capitalisation of the Company of approximately HK$80.0 million under the Offer. Based on the above selection criteria, we have identified one comparable company (the "**Comparable Company**"). We set out our findings on the following table:

Company name *(stock code)*	**Principal activities** *(revenue contribution from design, promotion and/or sale of handbags or leather related products)*	**Market Capitalisation** *(Note 1)* *HK$' million*	**P/B Ratio** *(Note 2)* *Times*	**P/E Ratio** *(Note 3)* *Times*	**P/S Ratio** *(Note 4)* *Times*
Grown Up Group Investment Holdings Limited (1842)	Principally engaged in designing, developing, sourcing, manufacturing and selling a full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories *(approximately 100%)*	51.8	0.5	N/A *(Note 5)*	0.2
Minimum			0.5	N/A	0.2
Maximum			0.5	N/A	0.2
Average			0.5	N/A	0.2
Median			0.5	N/A	0.2
			Implied P/B Ratio	**Implied P/E Ratio**	**Implied P/S Ratio**
The Company *(under the terms of the Offer)*		**80.1**	**N/A** *(Note 6)*	**1,555.6** *(Note 7)*	**1.0** *(Note 8)*

Source: www.hkex.com.hk

Notes:

1. The market capitalisation of the subject comparable company was calculated based on the closing share prices and the total issued shares of the subject comparable company as at the Last Trading Day.

2. The P/B Ratio is calculated based on the market capitalisation of the subject comparable company as at the Last Trading Day, divided by the net asset value attributable to owners of the subject comparable company extracted from its annual report.

3. The P/E Ratio is calculated based on the market capitalisation of the subject comparable company as at the Last Trading Day divided by the profit for the year attributable to owners of the subject comparable company for its latest financial year.

4. The P/S Ratio is calculated based on the market capitalisation of the subject comparable company as at the Last Trading Day, divided by the revenue of the comparable company for its latest financial year.

5. "N/A" denoted that the Comparable Company recorded net loss for the year attributable to owners of the Comparable Company.

6. The Company recorded net liabilities of approximately RMB5.7 million as at 30 June 2026.

7. The P/E Ratio is calculated by (a) the Offer Price of HK$0.143 per Offer Share multiple by 560,000,000 Shares in issue as at the Latest Practicable Date to arrive at the implied value of the Company under the Offer of approximately HK$80.1 million; divided by (b) the profit for the year of the Company of approximately RMB44,000 for the year ended 31 December 2025 (the "**Implied P/E Ratio**").

8. The Implied P/S Ratio is calculated by (a) the Offer Price of HK$0.143 per Offer Share multiple by 560,000,000 Shares in issue as at the Latest Practicable Date to arrive at the implied value of the Company under the Offer of approximately HK$80.1 million; divided by (b) the revenue of the Company of approximately RMB65.6 million for the year ended 31 December 2025 (the "**Implied P/S Ratio**").

Although it is noted that from the above table that the P/B Ratio of the Comparable Company is approximately 0.5 times, given that the Company recorded net liabilities of approximately RMB5.7 million as at 30 June 2026, P/B Ratio is not applicable for our analysis.

Based on the selection criteria above, the only identifiable Comparable Company recorded a loss based on its latest financial year, thus rending P/E Ratio is not applicable for our analysis. To this end, we have also conducted the comparison of P/S Ratio for the purpose of assessing the fairness and reasonableness of the Offer Price.

To this end, we have cross-checked against P/S Ratio which is also a commonly used valuation method and noted that the P/S Ratio of the Comparable Company is approximately 0.2 times. The Implied P/S Ratio of the Company of approximately 1.0 times is higher than the P/S Ratio of the Comparable Company, indicating that the Offeror is willing to pay more (in terms of multiple to the amount of sales) when compared with the Comparable Company, thus making the Offer Price more favourable based on this comparison.

Having considered that (i) the Offer Price of HK$0.143 represents a premium of approximately HK$0.162 and HK$0.155 over the consolidated net liabilities per Share of approximately of approximately HK$0.019 and HK$0.012 as at 31 December 2025 and as at 30 June 2026, respectively; (ii) the net liabilities position of the Group as at 31 December 2025 and as at 30 June 2026, making P/B Ratio not applicable for our analysis; and (iii) the Implied P/S Ratio of the Company of approximately 1.0 times is higher than the Comparable Company, thus making the Offer Price more favourable in terms of multiple to the amount of sales, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

5. Information on the Offeror and parties acting in concert with the Offeror and the intention of the Offeror in relation to the Group

The following information on the intention of the Offeror regarding the Group has been extracted from the Letter from Sanfull Securities:

(i) Information of the Offeror and parties acting in concert with the Offeror

The Offeror is a company incorporated in the BVI with limited liability. The Offeror is principally engaged in investment holding. It is legally, beneficially and wholly owned by Ms. Tan, who is also the sole director of the Offeror.

Ms. Tan has over 25 years of experience in corporate management and business operations in the PRC. She is the founder of (i) Shenzhen Aimei Technology Co., Ltd.* (深圳市艾美科技有限公司), a company established in the PRC and is principally engaged in the research and development, manufacture and sale of digital electronic products, as well as domestic trading with sales to various overseas markets including the United States, Hong Kong and the United Arab Emirates, and (ii) OME International (HK) Enterprises Co., Limited (艾美國際(香港)企業有限公司), a company incorporated in Hong Kong and is principally engaged in the sale of digital electronic products to the United States, Hong Kong and the United Arab Emirates.

The Offeror, CSI Floorings and GanLan Investments, by entering into the Sale and Purchase Agreements, which are inter-conditional on each other, cooperate to obtain or consolidate control of the Company. Accordingly, each of CSI Floorings and GanLan Investments is acting in concert with the Offeror under the Takeovers Code. Ms. Tan, Ms. Xue, Mr. Li and Ms. Na became acquainted with one another through business events or introductions by mutual contacts. Mr. Li and Ms. Na are business partners through their investment in GanLan Investments. Save for the above, there is no other relationship or past dealings between Ms. Tan, Ms. Xue, Mr. Li and Ms. Na.

CSI Floorings is a company incorporated in Hong Kong with limited liability. CSI Floorings is principally engaged in the design, manufacture and sales of carpets, rugs and other flooring products for residential, hospitality, retail and commercial applications with production base in the PRC and sales to various markets worldwide. It is legally, beneficially and wholly owned by Ms. Xue, who is also the sole director of CSI Floorings.

Ms. Xue has approximately 22 years of experience in business management and development and sales and marketing in the high-end home décor and flooring industry. She has served as the director of CSI Floorings since August 2016 and continues to hold such position as at the Latest Practicable Date.

GanLan Investments is a company incorporated in Dubai under the DIFC Law. GanLan Investments is principally engaged in investment holding. It is legally and beneficially owned as to 51% by Mr. Li and 49% by Ms. Na, who are directors of GanLan Investments.

Mr. Li has over 17 years of experience in corporate management and operations, healthcare investment, strategic planning and business development in the medical and healthcare services industry in the PRC. He has been focusing on early-to-mid-stage healthcare and biomedical venture capital investments, with extensive experience in life sciences, biotechnology, AI healthcare, innovative drugs, and novel medical devices. He has also been focusing on the intersection of AI and healthcare, with a particular emphasis on research and investment in AI applications across radiology, pathology, multi-omics, molecular compound screening, and intelligent rehabilitation. Mr. Li served as executive director of Carry Wealth Holdings Limited (Stock Code: 0643.hk) from 30 June 2026 to 28 October 2026.

Ms. Na has approximately 3 years of experience in business management in the real estate industry in the PRC. She has served as a duty manager in a real estate development company in the PRC since September 2023 and continues to hold such position as at the Latest Practicable Date. She is responsible for business development and planning and formation of product and marketing strategy. Ms. Na obtained a bachelor's degree in business administration from the University of Liverpool in 2021 and a master's degree in political economy from the University of Manchester in 2023.

Ms. Tan, Ms. Xue, Mr. Li and Ms. Na are optimistic on the business prospects of the Company and consider that the acquisition of Sales Shares could achieve long-term growth and returns. They believe that, by leveraging their experience in corporate management, business operations and sales and marketing in the retail, manufacturing and consumer goods industries in the PRC, they will be well positioned to expand the Group's sales and marketing channels, enhance its operational performance and facilitate its future business development and growth.

Save for being a party acting in concert with the Offeror by entering into the Sale and Purchase Agreements and the pledge of the Sale Shares B and the Sale Shares C to secure the Loan Facility, each of CSI Floorings and GanLan Investments and their respective ultimate beneficial owners does not have any relationship with the Offeror and/or its ultimate beneficial owner. Save for the above, there is no relationship between CSI Floorings and its ultimate beneficial owner on one hand and GanLan Investments and its ultimate beneficial owners on the other hand.

(ii) The Offeror's intention on the Group

As set out in the Letter from Sanfull Securities, it is the intention of the Offeror that the Group will continue with its existing principal business. Ms. Tan, Ms. Xue, Mr. Li and Ms. Na possess relevant experience in corporate management, business operations, sales and marketing and investment across a broad range of industries and sectors in the PRC, with experience in the retail, manufacturing and consumer goods industries. The Offeror does not intend to (i) discontinue the employment of any employees of the Group (save for changes in the composition of the Board as set out below); or (ii) downsize, cease, dispose of any of the Group's existing business, operations; or (iii) re-deploy any of the assets of the Group other than those in its ordinary and usual course of business.

Nevertheless, following the close of the Offer, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group as and when appropriate. As at the Latest Practicable Date, the Offeror has no plan or proposal in relation to such business opportunities. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the GEM Listing Rules.

As at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group. However, the Offeror reserves the right to make any changes that they deem necessary or appropriate to the benefit of the Group.

(iii) Proposed change to the Board composition of the Company

As at the Latest Practicable Date, (i) the executive Directors are Mr. Yau Frederick Heng Chung and Mr. Lee Tat Fai Brian; (ii) the non-executive Directors are Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy; and (iii) the independent non-executive Directors are Mr. Won Chik Kee, Ms. Sit Ting Fong and Mr. Wai Yau Hang. No Directors will resign before the close of the Offer.

Save and except for Mr. Yau Frederick Heng Chung, the resignation of all other existing Directors will become effective from a date which is no earlier than such date as permitted under the GEM Listing Rules and the Takeovers Code (i.e. after the publication of the closing announcement on the Closing Date).

The Offeror intends to nominate new Director(s) to the Board with effect from a date which is no earlier than such date as permitted under the GEM Listing Rules and the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror is in the process of identifying suitable candidates. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

In this connection, Shareholders should note that, prior to deciding on whether to accept the Offer, dispose its/his/her Shares in the open market or remain as a Shareholder, to also consider the information summarised under this section, namely (a) Ms. Tan, Ms. Xue, Mr. Li and Ms. Na possess relevant experience in corporate management, business operations, sales and marketing and investment across a broad range of industries and sectors in the PRC, with experience in the retail, manufacturing and consumer goods industries; (b) Mr. Yau Frederick Heng Chung will remain as Director, which the Board can utilise his expertise and experience in the Group's existing principal businesses; (c) the Offeror intends to nominate new director(s) to the Board, relevant details of which will be made as and when appropriate; and (d) the Offeror intends to maintain the listing of the Shares on GEM of the Stock Exchange after the close of the Offer.

For those Shareholders who holds the view that the prospects of the Group under the control of the Offeror is favourable, please take note of the principal factors and reasons considered by us as set out in point (i) to (v) and the recommendation under the section headed "RECOMMENDATION" in this letter before deciding on whether to remain as a Shareholder.

For those Shareholders who holds the view that the Group under the control of the Offeror is unfavourable, they should take into account the principal factors and reasons considered by us as set out in point (i) to (v) and the recommendation under the section headed "RECOMMENDATION" in this letter below carefully before deciding on whether to dispose the Shares in the market, in part or in whole, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer, or accept the Offer in part or in whole, if the net proceeds from the sale of such Shares in the open market would be less than the net proceeds receivable under the Offer.

(iv) Maintaining the listing status of the Company

The Offeror intends the issued Shares to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, the Company fails to comply with the requirement of Rule 17.37B of the GEM Listing Rules, they will take appropriate steps to ensure the Company's compliance with Rule 17.37B of the GEM Listing Rules at the earliest possible moment.

The Company will make an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 17.37B(1) of the GEM Listing Rules in case less than 25% of the issued share capital of the Company will be held by the public upon the close of the Offer. Appropriate steps will be taken to ensure public float will be restored as soon as possible after the close of the Offer. The steps that the Offeror may take include but not limited to placing down or selling sufficient number of accepted Shares which it will acquire from the Offer to Independent Third Parties, whom will also not be acting in concert with the Offeror, CSI Floorings, GanLan Investments and their respective ultimate beneficial owners and parties acting in concert with any of them, or in market.

(v) Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not tendered for acceptance under the Offer.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular that:

(i) although the Group reported a profit for FY2025 and for 1H2026, which is a turnaround from the loss for FY2024, it was only approximately RMB44,000 and RMB3.3 million, respectively as compared to a loss of approximately RMB10.7 million for FY2024. This suggests that the Group is still operating under challenging conditions;

(ii) (a) the closing prices of the Shares fluctuated ranged from approximately HK$0.028 to HK$0.129 per Share during the First Review Period (which is approximately 12 months immediately prior to Last Trading Day), and the Offer Price of HK$0.143 per Offer Share was higher than the closing prices of the Shares during the entire First Review Period; and (b) the daily trading volume of Shares during the First Review Period was generally thin and not active with an average daily trading volume for each month/period as a percentage to the total number of Shares in issue ranged from less than 0.01% to approximately 0.22% with an average of approximately 0.07% during the First Review Period. It is also noted that out of a total of 246 trading days during the First Review Period, there were 104 days with no trading of Shares. Prior to the Joint Announcement, the Offer Price is well above the range of closing prices during the First Review Period;

(iii) (a) the closing prices of the Shares fluctuated ranged from approximately HK$0.161 to HK$0.202 per Share during the Second Review Period, which is above the Offer Price of HK$0.143 per Offer Share; and (b) the average daily trading volume for each period as a percentage to the total number of Shares in issue ranged from approximately 0.26% to 2.02% with an average of approximately 1.14% during the Second Review Period. We consider that such fluctuation in the price of Shares and the increase in trading liquidity after the release of the Joint Announcement may be attributable to market reactions to the Offer and/or potential prospects of the Group being controlled by the Offeror. Hence, given the short period under the Second Review Period as compared to the First Review Period whereas the trading liquidity of the Shares has been low, any realization of a relatively sizeable volume of Shares in the open market may potential impose downward pressure on the price of the Shares;

(iv) the net liabilities position of the Group whereas the Offer Price of HK$0.143 represents (a) a premium of approximately HK$0.162 over the audited consolidated net liabilities per Share of approximately HK$0.019 as at 31 December 2025; (b) a premium of approximately HK$0.155 over the unaudited consolidated net liabilities per Share of approximately HK$0.012 as at 30 June 2026, respectively; and (c) the net liabilities position of the Group as at 31 December 2025 and as at 30 June 2026 making P/B Ratio not applicable for our analysis; and

(v) the Implied P/S Ratio of the Company of approximately 1.0 times is higher than the P/S Ratio of the Comparable Company, thus making the Offer Price more favourable in terms of multiple to the amount of sales.

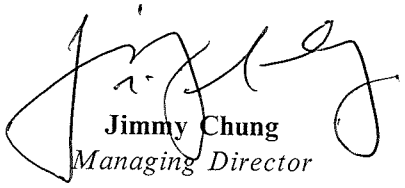
We are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to accept the Offer if the net amount receivable under the Offer would exceed the net proceeds from the sales of such Shares in the open market.

The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the trading volume and/or the trading price level of the Shares during the Second Review Period will be sustainable during or after the Offer Period.

Those Independent Shareholders who, after considering the information on the Offeror and their intentions regarding the Group, are confident in the future prospects of the Group following the Offer, may consider retaining their Shares or tendering less than all their Shares under the Offer

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Offer and/or the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, for Independent Shareholders wishes to accept the Offer, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompanying Acceptance Form.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited



Jimmy Chung
Managing Director

Mr. Jimmy Chung is a licensed person registered with the SFC and a responsible officer of Red Sun Capital to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 30 years of experience in the corporate finance industry.