裕韜資本有限公司
Euto Capital Partners Limited

Room 1204, Jubilee Centre
18 Fenwick Street, Wan Chai
Hong Kong

25 April 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER
FOR SHARES BY OPUS SECURITIES LIMITED
FOR AND ON BEHALF OF LU YONGDE
TO ACQUIRE ALL THE ISSUED SHARES OF
TOMO HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED
TO BE ACQUIRED BY LU YONGDE AND
PARTIES ACTING IN CONCERT WITH HIM)**

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 Offer, details of which are set out in the Composite Document dated 25 April 2024, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

Reference is made to the Joint Announcement in which the Offeror and the Company jointly announced that on 26 March 2024 (after trading hours of the Stock Exchange), the Vendor, as mortgagee under the Share Mortgage and by way of exercising his power of sale under the Share Mortgage, and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Offeror agreed to purchase, 50,000 Sale Shares, representing the entire issued share capital of Billion Legend as at the date of the Joint Announcement, for an aggregate consideration of HK$30 million which was satisfied by the Offeror in full by his own financial resources. The consideration of HK$30 million for the sale and purchase of 50,000 Sale Shares was agreed between the Vendor and the Offeror after arm's length negotiations with reference to (i) the market value of 230,000,000 Shares on the Last Trading Day in the amount of approximately HK$25.5 million; and (ii) the principal amount of the Loan of HK$40 million especially considering that the Vendor would not be able to recover the Loan.

Completion took place on 20 March 2024, immediately upon Completion, the Offeror (through Billion Legend) and parties acting in concert with him own an aggregate of 230,000,000 Shares, representing approximately 51.11% of the entire issued share capital of the Company. Accordingly, the Offeror is required under Note 8 to Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with him).

As at the Latest Practicable Date, the Company has 450,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Cheng Wai Hei, and Mr. Lam Chi Wing, has been established to make a recommendation to the Independent Shareholders in relation to the Offer as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Mr. Choi Tan Yee, a non-executive Director, is the managing director and responsible officer of Rainbow Capital, being the financial adviser to the Company, and is therefore not considered independent to be a member of the Independent Board Committee and has declared his interest to the Board accordingly.

We, Euto Capital Partners Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. Pursuant to Rule 2.1 of the Takeovers Code, our appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected financially or otherwise with any member of the Group or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, there were no other engagements between Euto Capital Partners Limited and the Group or the Offeror or the parties acting in concert with it and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group or the Offeror, their respective substantial or controlling shareholders and financial or other professional advisers or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information provided to us by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. Shareholders will be notified for any subsequent material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all the statements contained and representations made or referred to in the Composite Document are true in all material respects at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Latest Practicable Date.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

Should there be any subsequent material changes (including changes to this letter) which occur during the period from the date of the Composite Document up to the close of the Offer, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed sufficient information available, among others: (i) the annual reports of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"); (ii) the annual results announcement of the Company for the year ended 31 December 2023 (the "**2023 Annual Results Announcement**"); and (iii) the Joint Announcement which are made available to us. We have taken all reasonable steps to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer (as the case may be) since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

Opus Securities, the offer agent of the Offeror, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares on the terms in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . **HK$0.131 in cash**

Given the sole asset of the Billion Legend is the 230,000,000 Shares held by it, the Offer Price of HK$0.131 per Offer Share is equivalent to the consideration for the Sale Shares under the Sale and Purchase Agreement of HK$30 million divided by 230,000,000 Shares held by Billion Legend, which was arrived after arm's length negotiations between the Offeror and the Vendor. The Offer is unconditional in all respects.

The Offer is extended to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with him.

As at the Latest Practicable Date, the Company does not have any dividend or distribution recommended, declared or made but unpaid and the Company does not intend to declare any dividend or make other distribution during the Offer Period.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Group

(a) Information of the Group

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the sale of automotive parts and motor vehicles, as well as the passenger vehicle (PV) leather upholstery and electronic accessories businesses in Singapore.

(b) Historical financial performance and future developments of the Group

The following tables set out key financial information of the Group for the years ended 31 December 2021 (the "**FY2021**"), 31 December 2022 (the "**FY2022**") and 31 December 2023 (the "**FY2023**"), as extracted from the 2022 Annual Report and the 2023 Annual Results Announcement:

	For the FY2023	**For the FY2022**	**For the FY2021**
	S$	*S$*	*S$*
	(audited)	(audited)	(audited)
Revenue	9,071,257	16,340,186	9,709,963
Gross profits	420,395	925,492	1,567,743
Profit/(loss) for the year	(10,582,191)	(1,869,568)	118,031

	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021
	S$	*S$*	*S$*
	(audited)	(audited)	(audited)
Assets			
Non-current assets			
Investment properties	3,740,000	3,300,000	3,000,000
Property, plant and equipment	882,168	1,019,071	859,022
Intangible asset	461,652	95,060	100,353
Right of use asset	44,529	82,696	6,455
Investment in associate	–	6,421,491	–
Deferred tax assets	–	172,000	–
Current assets			
Amount due from a shareholder	–	–	93,197
Inventories	284,821	629,745	443,578
Trade and other receivables	907,279	1,240,623	1,472,070
Financial assets at fair value through profit or loss	–	5,000,000	–
Cash and bank balances	8,317,344	7,015,867	20,364,047
TOTAL ASSETS	**14,637,793**	**24,976,553**	**26,338,722**
Liabilities			
Non-current liabilities			
Lease liabilities	6,797	46,473	–
Deferred tax liability	–	–	12,000
Current liabilities			
Trade and other payables	1,068,115	221,555	404,583
Contract liabilities	244,322	810,550	180,600
Lease liabilities	39,676	37,839	6,945
Current income tax liabilities	374	374	6,000
Provision	29,907	28,969	28,233
TOTAL LIABILITIES	**1,389,191**	**1,145,760**	**638,361**
NET ASSETS	**13,248,602**	**23,830,793**	**25,700,361**

Operating Results

FY2023 compared to FY2022

The Group's revenue decreased by approximately 44.5%, such a decrease was attributable to the decrease in the sales of automotive parts and motor vehicles of approximately 49.0%. The gross profit decreased by approximately 54.6%. Despite the economic slowdown and pandemic, the Group was still able to achieve its gross profit margin of approximately 4.6% for FY2023, as compared to gross profit margins of approximately 5.7% for FY2022.

The Group reported a loss of approximately S$10.6 million for FY2023, as compared to a loss of approximately S$1.9 million for FY2022. The increase in net loss was mainly attributable to the following reasons: (i) the increase in employee benefits costs from approximately S$3.3 million in FY2022 to around S$4.6 million in FY2023, due to the increase in salary for the management as an incentive to improve the business of the Group in FY2023; (ii) the decrease in sales of motor vehicles due to (a) a significant increase in the price of the Certificate of Entitlement (the "**COE**") resulting from a reduction in the COE quota for newly registered passenger vehicles; and (b) the imposition of higher import duties on premium vehicles by the Singapore government in FY2023; and (iii) the impairment loss on investment in associates of approximately S$6.4 million in relation to the acquisition of 49% equity interest in Ocean Dragon Group Limited (together with its subsidiary, the "**Target Group**") in 2022. Based on the assessment of the Board, the Board considers that the Group is unlikely to recover any value from the Target Group as the Company could not access to its substances, hence the investment in the Target Group would be fully impaired. For details, please refer to the announcements of the Company dated 24 April 2023, 12 May 2023 and 7 June 2023.

FY2022 compared to FY2021

The Group's revenue increased by approximately 68.3%, such an increase was attributed to the increase in the sales of automotive parts and motor vehicles of approximately 164.0% and offset by a decrease in the passenger vehicle leather upholstery and passenger vehicle electronic accessories of approximately 45.0% and approximately 39.8% respectively. The gross profit decreased by approximately 41.0%. The Group's gross profit margin was approximately 5.7% for FY2022, as compared to gross profit margins of approximately 16.1% for FY2022. This was mainly due to the increase in sales of automotive parts and motor vehicles which are lower in profit margin as compared to the decrease but in higher profit margin in sales and installation of leather upholstery and electronic accessories.

The loss of the Group was approximately S$1.9 million for FY2022, as compared to the profit of approximately S$118,000 for FY2021. The loss-making situation of the Group was mainly attributable to the following reasons: (i) the decrease in gross profit and gross profit margin; (ii) other income of the Group decreased by approximately S$697,000 from approximately S$855,000 for FY2021 to approximately S$158,000 for FY2022 due to the absence of consultancy income and lower in Singapore government COVID-19 Support Grants such as Jobs Support Scheme, Foreign Worker Levy Rebate, Rental Relief Framework in FY2022; and (iii) administrative expenses of the Group increased by approximately S$1.1 million from approximately S$1.9 million for FY2021 to S$3 million for FY2022 due to higher salary and related expenses, increase in legal and professional fee and written off of amounts due from shareholder.

Financial Position

FY2023 compared to FY2022

The Group's non-current assets mainly include investment properties, which are industrial units in Singapore and the Group's current assets mainly include cash and bank balance as at 31 December 2023. The Group's total assets decreased by approximately S$10.3 million, or approximately 41.4%, from approximately S$25.0 million as at 31 December 2022 to approximately S$14.6 million as at 31 December 2023. It was mainly attributable to the decreases in the Group's investment in associate from approximately S$6.4 million to nil and financial assets at fair value through profit or loss from approximately S$5.0 million to nil as at 31 December 2022 and 2023, respectively.

The Group's current liabilities mainly include trade and other payables as at 31 December 2023. The Group's total liabilities increased by approximately S$243,000, or approximately 21.3% from approximately S$1.1 million as at 31 December 2022 to approximately S$1.4 million as at 31 December 2023.

The Group's net asset value decreased by approximately S$10.6 million, or approximately 44.4% from approximately S$23.8 million as at 31 December 2022 to approximately S$13.2 million as at 31 December 2023.

FY2022 compared to FY2021

The Group's non-current assets mainly include investment properties which are industrial units in Singapore, property, plant and equipment, and investment in associates. The Group's current assets mainly include financial asset at fair value through profit or loss and cash and cash equivalents as at 31 December 2022. The Group's total assets slightly decreased by approximately S$1.4 million, or approximately 5.2% from approximately S$26.4 million as at 31 December 2021 to approximately S$25.0 million as at 31 December 2022. It was mainly attributable to the decrease in cash and cash equivalents from approximately S$20.4 million to approximately S$7.0 million and offset by the increase in investment in associates from nil to approximately S$6.4 million and financial assets at fair value through profit or loss from nil to S$5.0 million.

The Group's total liabilities increased by approximately S$507,000, or approximately 79.5% from approximately S$638,000 as at 31 December 2021 to approximately S$1.1 million as at 31 December 2022. It was mainly attributable to the increase in contract liabilities from S$180,600 to S$810,550.

The Group's net asset value decreased by approximately S$1.9 million, or approximately 7.27% from approximately S$25.7 million as at 31 December 2021 to approximately S$23.8 million as at 31 December 2023.

(c) Qualified opinion by the auditor of the Group

With reference to the 2023 Annual Results Announcement, the independent auditor of the Company pointed out that they were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the investments in associates of the Group as their accounting books and records were not available for audit purpose and issued the qualified opinion on the consolidated financial statements of the Group for FY2023. Please refer to the 2023 Annual Results Announcement for more details on the qualified opinion.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the qualified opinion by the independent auditor of the Company. As disclosed in the 2023 Annual Results Announcement, during FY2022 the Group acquired 49% equity interest in Ocean Dragon Group Limited and its subsidiary, namely, Hua Bright International Limited (collectively the "**Target Group**"), specialising in the provision of electric charging solutions and which was accounted for an associate under the equity method. In the past, the Group relied on the financial information by local management of the Target Group to account for the share of results and to assess the impairment of its investments in associates at each reporting period. During FY2023, the Group did not have access to a set of complete and accurate accounting books and records of the Target Group, all key personnel of the local management and responsible for finance and accounting matters had left and despite the best endeavour of the Directors, they were unable to recover or access the accounting books and records of the Target Group as a result of local management not being contactable. Apart from that, the current Directors raised concerns over the genuineness of the acquisition of the Target Group during the year, a special investigation committee has been formed to investigate such matters pertaining to the acquisition and the investigation is still in progress. Due to the absence of sufficient supporting documents and explanations in relation to the accounting books and records made available to the Directors in respect of the Target Group, they consider that the Group is unlikely to recover the entire value of the Target Group as the Company could not access to the substances of the Target Group, and hence, the investments in associates of S$6,421,491 would be fully impaired during the year.

Given that the investments in associates of S$6,421,491 were fully impaired, there was share of nil result of associates for FY2023 and the investments in associates carried at nil as at 31 December 2023, we are of the view that this is an one-off event and concur with the Board that the qualified opinion issued by the independent auditor of the Company for FY2023 would not have any material implication on the Offer and the Company.

The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the uncertainties in consolidated financial statements of the Group for FY2023.

(d) Prospects of the Group

As stated in the 2023 Annual Results Announcement, the Group has faced challenging operational conditions due to the Sino-U.S. trade tensions and a worsening global economic climate. The COE quota for new passenger vehicles in Singapore drastically declined from around 90,000 units annually in 2018 and 2019 to about 30,000 to 40,000 units annually from 2020 to 2023. This reduction led to a significant increase in COE prices by over 100% for 2022 and 2023 compared to 2020 and 2021, reaching a peak in the latter half of 2023. The surge in COE prices notably reduced the demand for mass-market vehicles, as customers in this segment were deterred by the high costs of S$90,000 to S$110,000 for COE registration of smaller vehicles. While the premium vehicle sector was somewhat less impacted by soaring COE prices, the Singaporean government raised import duties on premium vehicles, further affecting the vehicle accessories market. The import duty for premium vehicles with an open market value over S$80,000 escalated from 220% to 320%. The adverse market conditions and government policies have led to consistently low business and consumer confidence, significantly affecting the Group's performance in the current year.

We understand that in Singapore, obtaining a COE is mandatory for vehicle registration. Individuals must bid for a COE within the relevant vehicle category, and a successful bid grants the right to own and operate a vehicle for a decade. COE allocations are determined through open bidding sessions held twice a month, with prices varying based on demand and supply dynamics, directly influencing vehicle ownership costs. According to the data from the Land Transport Authority of Singapore shows a continuous rise in COE prices, peaking in October 2023 at nearly twice the price of January 2022, Subsequently, there was a price decline in January 2024 followed by a gradual recovery. Recent bidding results reveal that received bids outnumber the available quota across all categories, suggesting that COE prices may not decrease substantially soon and are expected to remain elevated.

According to the Budget 2023 Statement by Deputy Prime Minister Lawrence Wong, it was announced that vehicles with an open market value exceeding S$80,000 will be subject to an Additional Registration Fee of 320%, essentially a luxury vehicle tax. This significant tax increase has imposed financial constraints on owners of Category B vehicles, typically larger and more powerful, possibly deterring continued ownership within this category. Consequently, many consumers have shifted towards smaller or second-hand vehicles, contributing to the potential surge in COE prices for Category A vehicles.

According to the data from the Land Transport Authority of Singapore reveals a notable decline in total annual new vehicle registrations: from approximately 45,400 in 2021 to around 31,000 in 2022, and further to about 30,200 in 2023. This represents a decrease of nearly 32.72% in 2022 and 2.58% in 2023, with the figures for 2023 being the lowest recorded since 2015.

Notwithstanding that (i) the Offeror's commitment to continuing its existing business operations; and (ii) the Group's management's efforts to implement effective business strategies – such as cost control, maintaining high-quality customer service, and nurturing relationships with key suppliers, having considered that (i) the Group recorded consecutive net losses in FY2022 and FY2023 with an escalating net loss in FY2023, signifying a tough business environment; (ii) the notable rise in COE prices, with expectations of them staying high, coupled with the Singapore government's increased import duties on luxury vehicles in FY2023, adversely impacts luxury vehicles demand and potentially pressures COE prices of Category A vehicles; and (iii) the ongoing Sino-U.S. trade tensions and a deteriorating global economic landscape further complicate the Group's outlook.

Given these factors, we consider that the future prospects of the Group appear challenging and uncertain in the short term, dependent on the Offeror's future business strategies and plans.

2. Information on the Offeror and the Offeror's intention regarding the Group

(a) Information on the Offeror

The Offeror, aged 56, was educated in Guangdong University of Technology and studied in Industrial and Building engineering. Mr. Lu received 高級專業技術職務任職資格 (for transliteration purpose only, Qualification Certificate of Senior Professional Rank) in 2008.

The Offeror has over 30 years management and construction experience in properties developments, property project management, restructuring of distressed debts, development projects and direct investments, e-commerce and big-health industry. The big-health industry represents an emerging sector, encompassing a wide range of production and service fields directly related to human health. He is currently the major shareholder and the supervisor of 廣州紅地集團有限公司 (for transliteration purpose only, Guangzhou Hongdi Holdings Limited), an investment holding company incorporated in the PRC. He was the executive director and chairman of the board of ACR Asian Capital Resources (Holdings) Limited, a company incorporated in the Cayman Island with limited liability, the issued shares of which were listed on GEM of the Stock Exchange (stock code: 8025) and the listing of the shares of the company was cancelled on 7 August 2023.

(b) Intention of the Offeror in relation to the Group

The following information of the intention of the Offeror in relation to the Group has been extracted from the "Letter from Opus Securities". It is stated that following the close of the Offer, the Offeror intends that the Group will continue the principal business of the Group and will maintain the listing status of the Company.

The "Letter from Opus Securities" also sets out that the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. As at the Latest Practicable Date, the Offeror does not have any plan and/or intention to downsize or change the scale of the Group's existing principal businesses. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, no investment or business opportunity has been identified nor have the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to redeploy any fixed assets of the Group (other than in the ordinary and usual course of business of the Group) or to discontinue the employment of the employees of the Group as at the Latest Practicable Date. The Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, however, based on the background of Mr. Lu Yongde, it appears that he does not have immediate experience in similar business of the Group and he has yet to conduct a detailed review of the operations of the Group and formulate business strategies of the Group's long term development, therefore, we are of the view that the Offeror may not have sufficient industry knowledge to capture the business opportunities within the passenger vehicle interior accessories and electronic components industries to enhance the future business development of the Group.

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

As at the Latest Practicable Date, the Board is comprised of one executive Director, one non-executive Director and two independent non-executive Directors.

It is intended that all of the Directors will resign with effect from the earliest time permitted under the Takeovers Code. Following the close of the Offer, the Offeror intends to nominate new Directors for appointment to the Board and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Director(s). Further announcement(s) will be made upon any changes to the composition to the Board in compliance with the Takeovers Code and Listing Rules as and when appropriate.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by the Company as and when appropriate. Save as aforesaid, the Offeror has no intention to introduce any significant changes to the management of the Company following the close of the Offer.

(d) Listing status of the Company and public float

As set out in the "Letter from Opus Securities" in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror has undertaken to the Stock Exchange that he will and will procure the new Directors to be appointed by the Offeror to the Board to take appropriate steps to ensure that sufficient public float exists in the Shares, i.e. at least 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

3. Analysis of the Offer Price

(a) Offer Price comparison

As set out in the "Letter from Opus Securities" to the Composite Document, the Offer price of HK$0.131 per Offer Share paid by the Offeror represents:

(i) a premium of approximately 18.02% over the closing price of HK$0.111 per Share as quoted on the Stock Exchange on 20 March 2024, being the Last Trading Day;

(ii) a premium of approximately 25.48% over the average closing price of approximately HK$0.1044 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 24.29% over the average closing price of approximately HK$0.1054 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 15.49% over the average closing price of approximately HK$0.1134 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 51.48% to the closing price of HK$0.2700 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

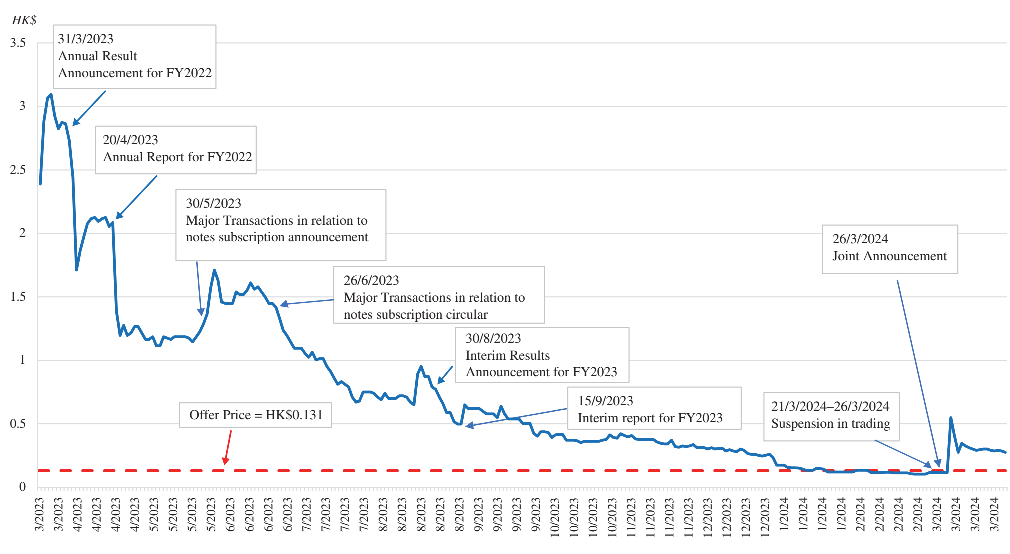
(vi) a discount of approximately 57.71% to the net asset value per Share of approximately HK$0.3098 as at 31 December 2022, calculated based on the Group's audited consolidated net asset value attributable to the Shareholders as at 31 December 2022 of S$23,830,793 (equivalent to approximately HK$139,410,000), divided by a total of 450,000,000 issued Shares as at the Latest Practicable Date;

(vii) a discount of approximately 36.27% to the net asset value per Share of approximately HK$0.2056 as at 30 June 2023, calculated based on the Group's unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2023 of S$15,812,762 (equivalent to approximately HK$92,505,000), divided by a total of 450,000,000 issued Shares as at the Latest Practicable Date; and

(viii) a discount of approximately 23.93% to the net asset value per Share of approximately HK$0.1722 as at 31 December 2023, calculated based on the Group's unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2023 of S$13,248,602 (equivalent to approximately HK$77,504,000), divided by a total of 450,000,000 issued Shares as at the Latest Practicable Date.

(b) Historical price performance of the Shares

We have reviewed and analysed the closing prices of Shares (i) for approximately 12 months immediately prior to the Last Trading Day commencing on 20 March 2023 and up to and including the Last Trading Day (the "**Pre-Announcement Review Period**"); and (ii) from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the "**Post-Announcement Review Period**" together with the Pre-Announcement Review Period, the "**Review Period**"). We are of the view that the price performance of the Shares during the Review Period, which cover the annual operating cycle of the Company, provides a comprehensive and fair reflection of the market's perception of the Company's performance, future outlook, and the impact of specific events.



Source: Website of the Stock Exchange

Note: Trading in the Shares was halted from 21 March 2024 to 26 March 2024 (both days inclusive) pending the release of the Joint Announcement.

As shown in the above chart, during the Pre-Announcement Review Period, the Shares were traded in a generally declining trend from 20 March 2023 to 20 March 2024. The closing price of the Shares ranged from HK$0.1 to HK$3.06. The average closing price of the Shares during the Pre-Announcement Review Period was approximately HK$0.77. From March 2023 to April 2023, the Shares experienced a significant downward trend. Save for the publication of the annual results announcement for FY2022 dated 31 March 2023 and the annual report for FY2022 on 20 April 2023, which highlighted the Group's shift from profit to net loss, we are not aware of any information of material change of the Company published in the public available domain and we were advised by the management of the Group that they are not aware of any particular reason that led to the price drop.

During the Post-Announcement Review Period, the closing price of the Shares ranged from HK$0.27 to HK$0.54. The average closing price of the Shares during the Post-Announcement Review Period was approximately HK$0.31. After the publication of the Joint Announcement, the closing price of the Shares has further surged sharply to HK$0.54 per Share on 27 March 2024 and significantly declined to HK$0.395 on 28 March 2024 and further to HK$0.27 on 2 April 2024. After that, the Shares closed at a range of HK$0.27 to HK$0.34. The closing prices of the Shares during the Post-Announcement Review Period were volatile and substantially higher than the Offer Price as to a range of approximately 106.1% to 312.2%. We have enquired into the possible reasons attributed to the notable increase in closing price of Shares subsequently after the publication of the Joint Announcement and as confirmed by the Directors, save for the information as set out in the Joint Announcement, the Directors were not aware of any matters which might have a material effect on the price of Shares. We consider that such increase in the price of Shares after the release of the Joint Announcement may be attributable to market reactions to the Offer and there is no assurance that the closing price of Shares will rise or continue to maintain at a level equal to or above the Offer Price after the Latest Practicable Date and/or after closing of the Offer.

During the Review Period, the closing price of Shares ranged from the lowest of HK$0.10 per Share recorded on 13, 14, 15 and 18 March 2024 to the highest of HK$3.06 per Share recorded on 23 March 2023. The average daily closing price of Shares during the Review Period was HK$0.73 per Share. The Offer Price of HK$0.131 per Share represents (i) a premium of approximately 31.00% to the lowest closing price of Shares during the Review Period; (ii) a discount of approximately 95.72% to the highest closing price of Shares during the Review Period; and (iii) a discount of approximately 82.05% to the average daily closing price of Shares during the Review Period.

Despite the Shares closed at the price level above the Offer Price during the Post-Announcement Review Period, and the Offer Price represents a considerable discount of approximately 82.05% to the average daily closing price of the Shares during the Review Period, having considered that (i) the Shares experienced a long-term downward trend during the Pre-Announcement Review Period; (ii) the Offer Price represents a premium of approximately 15.49% to 25.48% over the average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day and the last 30 consecutive trading days immediately prior to and including the Last Trading Day, respectively; (iii) the decreasing trend of the historical price of the Shares during the Pre-Announcement Review Period and significant volatility of the Share price during the Post-Announcement Review Period that there is no guarantee that the Share price will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer, we consider that the Offer Price at HK$0.131 is fair and reasonable. However, Independent Shareholders should consider the overall perspective of the various factors contained in different sections of this letter before making their decision on the acceptance of the Offer.

Independent Shareholders should note that the information set out above is not an indication of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

4. Review of the trading liquidity of the Shares

The following table sets out the historical monthly trading liquidity of the Shares during the Review Period:

	Total trading volume of the Shares for the month/period	Number of trading days of the Shares in the month/period *(note 1)*	Average daily trading volume of the Shares for the month/period *(note 2)*	Percentage of average daily trading volume of the Shares to the total number of the issued Shares *(note 3)*	Percentage of average daily trading volume of the Shares to the total number of the issued Shares held by the Independent Shareholders *(note 4)*
2023					
March	1,252,000	10	125,200	0.03%	0.06%
April	108,904,000	17	6,406,118	1.42%	2.91%
May	8,413,000	21	400,619	0.09%	0.18%
June	9,564,000	21	455,429	0.10%	0.21%
July	6,702,000	20	335,100	0.07%	0.15%
August	2,328,000	23	101,217	0.02%	0.05%
September	4,860,000	19	255,789	0.06%	0.12%
October	2,312,000	20	115,600	0.03%	0.05%
November	4,796,000	22	218,000	0.05%	0.10%
December	6,884,000	19	362,316	0.08%	0.16%
2024					
January	5,876,000	22	267,091	0.06%	0.12%
February	700,000	19	36,842	0.01%	0.02%
March *(note 5)*	17,496,000	20	874,800	0.19%	0.4%
April (up to Latest Practicable Date)	7,984,000	14	570,286	0.13%	0.26%
Review Period	**188,071,000**	**267**	**704,386**	**0.16%**	**0.32%**

Source: Website of the Stock Exchange

Notes:

1. Number of trading days of the Shares in the month/period represents number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Average daily trading volume of the Shares for the month/period is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days.

3. The calculation is based on the average daily trading volume of the Shares for the month/period divided by the number of the Shares in issue at the end of each month or as at the Latest Practicable Date.

4. The calculation is based on the average daily trading volume of the Shares for the month/period divided by the number of the Shares in issue held by the Independent Shareholders at the end of each month or as at the Latest Practicable Date.

5. Trading in the Shares was halted from 21 March 2024 to 26 March 2024 (both days inclusive) for the release of the Joint Announcement.

As illustrated in the above table, during the Review Period, the average daily trading volume of the Shares as a percentage of the total number of issued Shares for respective month/period ranged from approximately 0.01% to approximately 1.42%, and the average daily trading volume of the Shares as a percentage of the total number of issued Shares held by the Independent Shareholders ranged from approximately 0.02% to approximately 2.91%. The trading volume of the Shares during the Review Period was thin in general.

Other than the average daily trading volume of Shares observed in April 2023, where the Shares experienced significant price drops with substantially high transaction volumes immediately following the publication of the annual results announcement for FY2022 dated 31 March 2023 and the 2022 Annual Report on 20 April 2023, the average daily trading volume remained at a low level throughout the Review Period. We were advised by the management of the Group that other than the publication of the annual results announcement for FY2022 and the 2022 Annual Report, they are not aware of any particular reason that led to the price drops with substantially high transaction volumes. It is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the trading price of the Shares.

5. Comparable analysis

In order to further assess the fairness and reasonableness of the Offer Share, we have considered the price-to-book ratio (the "**P/B Ratio**"), the price-to-earnings ratio (the "**P/E Ratio**") and dividend yield which are commonly adopted trading multiple analyses. The P/B ratio analysis is the assessment methodology that commonly adopted for evaluating the value of a company as a reference for the independent shareholders' consideration. Given that the Group was loss-making for FY2023, recorded net assets as at 31 December 2023 and no dividend was distributed for the years ended 31 December 2022 and 2023, the P/E Ratio analysis and dividend yield analysis are not applicable. We consider P/B Ratio to be an appropriate indicator of the fair values of the comparable companies which are comparable to the Company in terms of business with implied P/B Ratio (the "**Implied P/B Ratio**") of the Offer Share using the Offer Price.

As stated in the section headed "1. Background information of the Group" in this letter, the Group is principally engaged in (i) sales and installation of passenger vehicle leather upholstery and electronic accessories and (ii) sales of electronic accessories in Singapore. As such, we have attempted to identify the companies for purpose of direct comparison which (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in sales and installation of vehicle interior accessories and electronic components in Singapore; (iii) derived not less than 80% total revenue from sales and installation of passenger vehicle interior accessories and/or electronic components in their latest financial year; and (iv) the companies with market capitalisation as at the Last Trading Day of not less than HK$25 million and not more than HK$500 million, respectively represent approximately half and 10 times the market capitalisation of the Company, which was approximately HK$50 million based on the closing price per Share as at the Last Trading Day quoted on the Stock Exchange.

However, no market comparable was identified based on the above criteria, we, therefore, expanded our review to companies principally engaged in sales and installation of vehicle interior accessories and electronic components in Hong Kong and PRC, and we only have identified two comparable companies which represent an exhaustive list of comparable companies identified on the website of the Stock Exchange. Given that only two comparable companies can be identified, we consider that using comparable analysis to evaluate the fairness and reasonableness of the Offer Price is not feasible. Therefore, Independent Shareholders were advised to focus on our other analysis of the Offer Price stated in this letter.

RECOMMENDATIONS

When we come up with our recommendation, we have reviewed different factors of the Group and the Offer and we would like to summarise those principal factors discussed as below:

(i) the Group reported net losses for FY2022 and FY2023 with an escalating net loss in FY2023, which suggest that the Group is operating in a tough business environment;

(ii) the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, however, based on the background of Mr. Lu Yongde, it appears that he does not have immediate experience in similar business of the Group and he has yet to conduct a detailed review of the operations of the Group and formulate business strategies of the Group's long term development, therefore, we are of the view that the Offeror may not have sufficient industry knowledge to capture the business opportunities within passenger vehicle interior accessories and electronic components industries to enhance the overall development of the Group;

(iii) the Group's outlook remains challenging due to (i) the significant increase in COE prices, expected to remain elevated, along with the Singapore government's raised import duties on luxury vehicles in FY2023, which negatively affects luxury vehicles demand and may exert pressure on COE prices of Category A Vehicles; and (ii) the persistent Sino-U.S. trade tensions and a worsening global economic environment;

(iv) Although during the Post-Announcement Review Period, the Shares closed at a range of HK$0.27 to HK$0.54, representing premiums over the Offer Price in the range of approximately 106.1% to 312.2%, it is important to consider that (i) the closing prices of the Shares during the Post-Announcement Review Period were volatile and there is no assurance that the closing price of Shares will rise or continue to maintain at a level equal to or above the Offer Price after the Latest Practicable Date and/or after closing of the Offer; and (ii) the trading in the Shares was generally inactive during the Post-Announcement Review Period, with the exception of the first two trading days, being 27 March 2024 and 29 March 2024, when the daily trading volume of the Shares as a percentage of the total number of issued Shares exceeded 1%. For the remaining of the Post-Announcement Review Period, the daily trading volume remained below 1%, and approximately 63% of the trading days during Post-Announcement Review Period saw the daily trading volume as a percentage of the total number of issued Shares fall below 0.1%;

(v) Although the Offer Price represents a discount of approximately 23.93% over the audited consolidated net asset value attributable to the Shareholders of approximately HK$0.1722 per Share as at 31 December 2023, and the Shares traded at a premium to the unaudited consolidated net asset value from 20 March 2023 to 16 January 2024 during the Pre-Announcement Review Period with a diminishing premium, it is important to consider that (i) for approximately two months immediately prior to the Last Trading Day, from 17 January 2024 to and including the Last Trading Day, the Shares began trading at a discount to the unaudited consolidated net asset value. The shift in market price reflects the most recent investor expectations regarding the Company's overall performance, encompassing the performance of all business segments, future prospects, and current market sentiment. Therefore, the prevailing market price serves as a more relevant benchmark for assessing the Offer Price; and (ii) the Offer Price represents a premium of approximately 15.49% to 25.48% over the average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day and the last 30 consecutive trading days immediately prior to and including the Last Trading Day, respectively; and

(vi) the trading volume of the Shares was low during the Review Period. Such low level of liquidity would suggest that any sale of a significant number of Shares in the market may result in downward pressure on the market price of the Shares. The Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large number of the Shares, at the Offer Price.

Based on the above, we consider that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. We advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period for acceptance and shall, having regard to their own circumstances and investment objectives, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

However, for those Independent Shareholders who are confident in the future prospects of the Group, they may consider retaining some or all of their interests in the Shares. These Independent Shareholders are reminded to monitor the development of the Group, in particular the Offeror's business strategy, and any announcements of the Company during and after the Offer Period.

Independent Shareholders are reminded that their investments in the Shares are subject to their individual circumstances and investment objectives. Independent Shareholders are advised to read the Composite Document and the acceptance form and transfer, carefully before taking any actions in respect of the Offers.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited

Wendy Liu
Director

*Ms. Wendy Liu ("**Ms. Liu**") is a licensed person registered with SFC and regarded as a responsible officer of Type 6 (advising on corporate finance) of Euto Capital Partners Limited. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2014 and has participated in and completed various independent financial advisory transactions in Hong Kong.*