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11 September 2026

To the Independent Board Committee and the Disinterested Shareholders

China Dongxiang (Group) Co., Ltd.
Office Unit 7, 13/F
Tower One, Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sir or Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACKS;
(2) PROPOSED SET-OFF;
AND
(3) PROPOSED LOAN WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Share Buy-backs, the Set-off, the Loan Waiver and the ZZY Compensation (collectively, the "**Settlement**"). Our appointment as Independent Financial Adviser has been approved by the Independent Board Committee as set out in the Announcement. Details of the Settlement are set out in the "Letter from the Board" contained in the circular of the Company dated 11 September 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

香港中環永和街21號

The Settlement

Reference is made to the Previous Announcements regarding, among other matters, the grant of Subscription Loans to the Borrowers to finance their respective subscription of new Shares pursuant to the Company's share incentive arrangements. According to the Loan Agreements, each Subscription Loan was initially structured with five-year terms and were subsequently extended pursuant to the 2022 loan agreements, resulting in a maximum term of ten years from the date of drawdown and was secured by the new Shares subscribed for and (where applicable) additional Shares acquired by such Borrower using his/her own funding.

In order to resolve the ongoing uncertainties regarding the recoverability of the Subscription Loans, the Company, GSL (an indirect wholly-owned subsidiary of the Company) and each of the Vendors entered into the Settlement Deeds on 24 July 2026 (after trading hours) to settle the outstanding amounts of the Vendor Subscription Loans, which involve (i) the Share Buy-backs; (ii) the Set-off; (iii) the Loan Waiver; and (iv) the ZZY Compensation to be paid by Mr. Zhang to the Company.

REGULATORY IMPLICATIONS

Share Buy-Backs Code

The Share Buy-backs constitute off-market share buy-backs by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Settlement by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM.

Listing Rules

As Mr. Lyu is an executive Director, he is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Buy-back from Mr. Lyu constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the four independent non-executive Directors, namely Mr. Gao Yu, Ms. Tang Songlian, Mr. Zhou Zhiyi and Mr. Du Zhongbing, has been established to advise the Disinterested Shareholders as to (i) whether the terms of the Settlement Deeds and the Settlement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Disinterested Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Settlement Deeds and the Settlement, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Disinterested Shareholders as to (i) whether the terms of the Settlement Deeds and the Settlement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Disinterested Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Settlement Deeds and the Settlement.

We (i) are not associated or connected, financially or otherwise, with the Company or each of the Vendors, or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or each of the Vendors, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Circular. Given that (i) remuneration for our engagement to opine on the Settlement is at market level and not conditional upon the outcome of the resolution to be proposed at the EGM; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or each of the Vendors, or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or each of the Vendors, or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in respect of the Settlement.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among other things, (i) the Settlement Deeds; (ii) the Previous Announcements; (iii) the annual report of the Company for the year ended 31 March 2026 (the "**FY2026 Annual Report**"); and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so up to the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular. Disinterested Shareholders will also be informed as soon as possible when there are any material changes to the information contained or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to and including the date of the EGM. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Company and the Vendors

1.1 Principal business of the Group

The Group is principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in the PRC and overseas.

It operates through two segments where (i) the China apparel segment is mainly engaged in the distribution and retail of sportswear under the Kappa and Phenix brands, as well as royalty income from several product trademarks; and (ii) the investment segment mainly engages in investing in various financial assets or financial products such as private-equity funds, fixed-income strategy products and knock out notes. This investment segment is intended to support the long-term development of its core business, earn distribution earnings, enhance returns, achieve capital appreciation, and provide liquidity.

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the FY2026 Annual Report for the financial years ("**FY**") ended 31 March 2025 and 2026.

Consolidated statement of profit or loss

	FY2026 (audited) *RMB'000*	**FY2025** (audited) *RMB'000*
Revenue	1,715,326	1,680,135
Cost of goods sold	(572,024)	(527,920)
Gross profit	1,143,302	1,152,215
Gross profit margin	*66.7%*	*68.6%*
Distribution and administrative expenses	(1,181,258)	(1,184,291)
Impairment losses (including reversals of impairment losses or impairment gains) on financial assets	(344,571)	(47,362)
Other income and gains — net	201,704	323,264
Finance income — net	1,805	10,281
Share of results of investments accounted for using the equity method	(3,535)	(5,925)
(Loss)/profit before income tax	(182,553)	248,182
Income tax credit/(expense)	24,513	(41,182)
(Loss)/profit for the year	(158,040)	207,000

Revenue

The Group's revenue, all of which was generated from its China apparel segment, increased marginally by 2.1% in FY2026. Sales from both Kappa brand and other businesses had remained stable. The level of sales of Kappa brand through directly and non-directly operated sales channels was also stable in FY2026 compared to FY2025.

Cost of goods sold and gross profit

While gross profit margin of Kappa brand had maintained at 67.8% in FY2026 compared to 68.9% in FY2025, gross profit margin of other businesses declined more sharply and resulted in overall gross profit margin declining from 68.6% in FY2025 to 66.7% in FY2026. Due to lower gross profit margin, gross profit amount decreased by 0.8% to RMB1,143.3 million in FY2026 from RMB1,152.2 million in FY2025 despite the 2.1% increase in revenue during FY2026.

Distribution and administrative expenses

Distribution expenses and administrative expenses mainly comprised employee salary and benefit expenses, advertising and marketing expenses, logistic and warehouse operation fees and product design and development expenses.

Distribution expenses and administrative expenses were maintained at similar levels of RMB1,184.3 million and RMB1,181.3 million in FY2025 and FY2026, respectively. Among others, nominal increases in employee salary and benefit expenses, advertising and marketing expenses and product design and development expenses, were offset by lower commission income as there were fewer consignment sales as well as lower legal and consulting expenses. Overall, the Group had continued to optimise various resource allocations and improve its cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

Impairment losses on financial assets

The Group recognised substantial increase in impairment losses from RMB47.4 million in FY2025 to RMB344.6 million in FY2026. The increase was mainly attributable to increase in impairment losses for its financial assets from RMB44.6 million in FY2025 to RMB338.6 million in FY2026. Such amount in FY2026 included recognition of impairment loss of about RMB181.7 million related to the Subscription Loans due to increased uncertainty of their recoverability and decreases in fair value of relevant loan collaterals. Impairment losses for trade receivables were nominal at RMB2.8 million and RMB6.0 million in FY2025 and FY2026, respectively.

Other income and gains — net and Finance income — net

The Group recorded lower other income and gains — net of RMB201.7 million in FY2026 compared to RMB323.3 million in FY2025 due mainly to lower net investment gains. Such gains had decreased to RMB116 million in FY2026 from RMB271 million in FY2025. Finance income — net was also lower in FY2026 due to lower interest income from bank deposits.

(Loss)/profit before tax and (Loss)/profit for the year

The Group recorded losses before tax of RMB182.6 million in FY2026 compared to profit before tax of RMB248.2 million in FY2025 due principally to (i) higher impairment losses for its financial assets; and (ii) lower other income and gains — net. Tax credit of RMB24.5 million was recorded in FY2026, reducing the Group's loss for the year to RMB158.0 million, compared with profit for the year of RMB207.0 million in FY2025.

Consolidated statement of financial position

	As at 31 March	
	2026	**2025**
	(audited)	(audited)
	RMB'000	*RMB'000*
Non-current assets		
Financial assets at fair value through profit & loss ("**FVTPL**")	2,931,438	3,338,288
Other financial assets at amortised cost	479,259	798,931
Deferred income tax and other assets	473,462	245,825
Property, plant & equipment, Intangible assets and others	371,789	401,081
	4,255,948	**4,784,125**
Current assets		
Financial assets at FVTPL	2,771,772	1,242,686
Other financial assets at amortised cost	95,699	140,551
Cash & cash equivalents, term deposits, restricted cash	2,104,903	3,408,777
Inventories, trade receivables and others	478,030	464,355
	5,450,404	**5,256,369**
Current liabilities		
Accruals and payables	(353,072)	(361,540)
Trade and bills payables	(119,047)	(142,763)
Derivatives	(93,773)	(99,305)
Other current liabilities	(68,405)	(58,245)
	(634,297)	**(661,853)**
Non-current liabilities		
Lease liabilities & Deferred income tax liabilities	(144,299)	(170,568)
Borrowing	(197,467)	—
	(341,766)	**(170,568)**
Net assets	**8,730,289**	**9,208,073**

Assets

The Group's non-current assets consisted principally of assets under its investment business, being financial assets at FVTPL and other financial assets at amortised cost. Compared with as at 31 March 2025, the Group's non-current assets as at 31 March 2026 had reduced by RMB528.2 million due mainly to lower value of both financial assets at FVTPL and other financial assets at amortised cost.

In terms of other financial assets at amortised cost, we note that the reduced amount was mainly due to allowance for credit losses recognized for loan receivables. In terms of financial assets at FVTPL, we note that there was an increase in amount of private equity fund investments which was classified as current assets. There was also a substantial increase in investments in knock out notes which were classified as current assets which resulted in financial assets at FVTPL classified as current assets increasing substantially from RMB1,242.7 million as at 31 March 2025 to RMB2,771.8 million as at 31 March 2026.

Due partly to net investments made in financial assets at FVTPL during FY2026, the Group's cash & cash equivalents decreased from RMB3,408.8 million as at 31 March 2025 to RMB2,104.9 million as at 31 March 2026.

Liabilities

The Group's current liabilities had remained stable as at 31 March 2026 compared to the amount as at 31 March 2025. Its non-current liabilities as at 31 March 2026 were higher at RMB341.8 million following bank borrowings drawn down during FY2026. As at 31 March 2026, the bank borrowings amounted to approximately RMB197.5 million.

Net assets

The Group's net assets decreased from RMB9,208.1 million as at 31 March 2025 to RMB8,730.3 million as at 31 March 2026 reflecting the loss for the year of RMB158.0 million for FY2026, losses on currency translation differences on foreign operations of RMB137.7 million and dividends paid.

Section conclusion

Overall, we observed that the Group's financial performance in the past two financial years had been one characterised by stable and high margin China apparel business segment, which was augmented or affected by a more volatile investment business segment.

The Group's financial position had remained strong despite financial losses recorded in FY2026 where it maintained high current ratio and liquidity positions.

1.3 Prospects of the Group

As stated in its FY2026 Annual Report, the Group is confident in the PRC economy's long-term fundamentals driven by supportive government policies and fitness trends which would underpin the steady growth of PRC's sports goods market. It plans to implement a brand and retail strategy which includes capturing opportunities in niche segments using product innovation, optimising its omni channel ecosystem and broaden its brand market moat. The Group also plans to deploy targeted, diversified content marketing to build emotional connections with consumers, boosting both brand visibility and sales conversions.

For its investment business segment, the Group will maintain stable asset allocation by adhering to a philosophy of prudence and stability, with the aim of navigating short-term market turbulence. Risk management will also be a focus where less flexible assets will be replaced while new investment targets will be explored cautiously.

Overall, we are of the view that the Group's business outlook is stable and supports the Group entering into the Settlement Deeds to facilitate an orderly resolution of the outstanding Vendor Subscription Loans by way of the Share Buy-backs, the Set-off and the Loan Waiver.

1.4 The Vendors

The Vendors comprise Mr. Lyu, Mr. Zhang, Mr. Chen Shaowen, Mr. Nan Peng, Mr. Wang Yalei, Ms. Sun Wei and Mr. Yang Gang. As at the Latest Practicable Date, with the exception of Mr. Lyu, who is an executive Director, all the other Vendors have ceased to be employees of the Group and are Independent Third Parties.

2. Background to and rationale for entering into the Settlement Deeds

On 24 July 2026 (after trading hours), the Company, GSL and each of the Vendors entered into the Settlement Deeds. The core subject matters of these arrangements comprise the following interconnected transactions:

(i) **The Share Buy-backs**: The Company shall buy back an aggregate of 256,090,025 Buy-back Shares, representing approximately 4.34% of the total issued share capital of the Company as at the Latest Practicable Date, at the Buy-back Price of HK$0.285 per Buy-back Share from the Vendors;

(ii) **The Set-off**: The total consideration payable to the Vendors for the Share Buy-backs amounting to approximately HK$72.99 million shall be set off in full against an equivalent amount of the outstanding balance of the respective Vendor Subscription Loan owed by the respective Vendor to GSL;

(iii) **The Loan Waiver:** GSL shall waive any residual outstanding balance of the Vendor Subscription Loans following the Set-off, which is estimated to be approximately HK$201.86 million in aggregate principal; and

(iv) **The ZZY Compensation**: With respect to Mr. Zhang only, he shall pay a one-off cash sum of HK$20 million to the Company upon completion of his Settlement Deed.

In summary, we understand that the Settlement Deeds are intended to provide a definitive and orderly resolution of the outstanding Vendor Subscription Loans by way of the Share Buy-backs, the Set-off and the Loan Waiver, with the ZZY Compensation providing an additional cash recovery to the Company. In assessing whether the entering into of the Settlement Deeds is fair and reasonable so far as the Disinterested Shareholders are concerned, we have considered, among other things, the background of the Vendor Subscription Loans, the commercial rationale for the proposed settlement structure, the alternatives available to the Group and the expected financial and shareholding effects of the Settlement, the valuation of the Company as implied by the Buy-back Price and financial effects on the Company and Shareholders thereafter.

Background of the Vendor Subscription Loans

Based on our review of the Previous Announcements and the information set out in the "Letter from the Board" of the Circular, and our discussion with the Management, we note the following principal background factors relevant to our assessment:

(i) **Nature of the Vendor Subscription Loans as an incentive arrangement**: The Vendor Subscription Loans were originally introduced as part of an employee incentive arrangement to recruit, retain and incentivise the Borrowers, as well as to align the interests of the Borrowers with those of the Shareholders. They were not structured as speculative instruments linked to the Share price performance or commercial lending facilities for the purpose of generating standalone financing returns for the Group.

(ii) **Frustration of unexpected derailment from the original incentive objective**: We note that, following prolonged adverse market conditions, including the impact of the COVID-19 pandemic and changes in global retail consumption patterns, the trading price of the Shares has remained substantially below the relevant subscription prices. For example, since the outbreak of the COVID-19 pandemic, closing prices of the Shares were traded between HK$0.207 per Share and HK$0.931 per Share in the past five years, with recent levels around the Buy-back Price of HK$0.285 per Share as discussed in the paragraph headed "3.1 Historical Share price performance" below. As a result, the original commercial expectation that the Borrowers could be incentivised by selling such Shares with realised equity gains and then applying portion of the sale proceed towards repayment of the Vendor Subscription Loans has not materialised.

(iii) **Diminished retention purpose**: With the exception of Mr. Lyu, the participating Vendors have ceased to be employees of the Group and are Independent Third Parties. Accordingly, the original retention purpose of the Vendor Subscription Loans has substantially diminished. Given that the loans have been outstanding for nearly ten years and its objective, presumably mutually recognised by the Group and the Borrowers when the Vendor Subscription Loans were first entered into, has not materialised as originally planned, we consider that the Settlement provides a practical mechanism to amicably resolve this legacy matter with increasing uncertainty as to recoverability.

(iv) **Maturity profile of the loan arrangement**: We note that the original 2017 and 2018 tranches were initially structured with five-year terms and were subsequently extended pursuant to the 2022 loan amendments, resulting in a maximum term of ten years from the respective drawdown dates. In this context, the Settlement may be viewed as a pragmatic and an orderly resolution of a long-standing incentive arrangement rather than an early termination without commercial basis.

(v) **Sharing of economic loss by the Vendors**: We also note that the Vendors funded 10% of the aggregate subscription price and acquisition cost (as applicable) from their own resources. In addition, the Vendors have not received any returns thus far from the Charged Shares as the dividends received in respects thereof have been primarily applied to pay ongoing interest and to partially repay principal under the Subscription Loans. As the relevant Shares will be bought back and cancelled pursuant to the Settlement, such initial cash contribution will not be recovered by the Vendors. In other words, the Vendors similarly suffered financial losses despite being released from the loan repayment obligations under the Settlement.

Rationale for entering into the Settlement Deeds

In considering the rationale for entering into the Settlement Deeds, we have assessed the position from the perspective of the Company and the Disinterested Shareholders, with particular reference to the following factors:

(i) *Certainty of recovery relative to available alternatives*

- **Status quo alternative:** Maintaining the Vendor Subscription Loans until their final maturity will not provide the Company with any additional certainty of recovery. Instead, the Group would continue to be exposed to credit, collection and counterparty risks, particularly given the prevailing depressed market value of the Charged Shares and the uncertainty as to the Vendors' ability to satisfy any residual shortfall.

- **Enforcement alternative:** We understand that the Charged Shares constitute the primary security for the Vendor Subscription Loans. Given the substantial shortfall between the outstanding loan balances and the market value of the Charged Shares, any enforcement action to recover residual amounts from former employees may involve uncertainty, time, legal costs and management resources. In addition, such action may adversely affect existing employee morale and the

Company's reputation as an employer as, according to the Management, the Group and the Borrowers mutually recognised this to be an employee incentive arrangement when the Vendor Subscription Loans were first entered into. We therefore consider that the Settlement provides a more virtuous and commercially expedient outcome than pursuing uncertain recovery through enforcement proceedings.

(ii) Avoidance of potential market disruption

- **Mitigation of disposal pressure and protection of Disinterested Shareholders' interests:** We understand that the Shares have relatively limited trading liquidity as described in the paragraph headed "3.2 Historical liquidity of the Shares" below. If the Company were to enforce its security and dispose of 256,090,025 Shares in the open market, such disposal could place significant selling pressure on the market price of the Shares and, accordingly, have an adverse impact on the prevailing Share price and the value of the shareholdings of public Shareholders. By implementing the Share Buy-backs off-market and cancelling the Buy-back Shares, the Company can avoid the execution risk and potential price disruption associated with an open-market disposal.

(iii) Financial and shareholding effects of the Settlement

- **Accretion to the relative shareholding of Shareholders:** Upon Completion, the Buy-back Shares will be cancelled, reducing the number of issued Shares from approximately 5.90 billion to approximately 5.64 billion. As a result, the percentage shareholdings of the Chen Family Group and the Shareholders other than the Chen Family Group and the Vendors ("**Other Shareholders**") are expected to increase from approximately 43.62% and 52.04% respectively to approximately 45.60% and 54.40% respectively, without any additional capital contribution from such Shareholders.

- **Improvement in net asset value per Share attributable to the Shareholders:** As further discussed in the paragraph headed "5. Financial effects of the Settlement" below, the Settlement would enhance the Company's net asset value per Share attributable to the Shareholders, which is beneficial to the Shareholders.

- **No immediate operating cash outflow:** As the consideration for the Share Buy-backs will be fully satisfied by way of the Set-off against the Vendor Subscription Loans, the Settlement will not require the Company to deploy operating cash resources to fund the Share Buy-backs.

- **Cash recovery from the ZZY Compensation:** In addition to the Set-off, Mr. Zhang will pay the ZZY Compensation of HK$20 million to the Company upon completion of his Settlement Deed. This represents an immediate cash recovery to the Group and provides additional support to the commercial rationale of the Settlement.

(iv) Impact on reported financial position

- **Manageable loss impact:** We note that the Group has already recognised an impairment loss of approximately RMB181.7 million in respect of the relevant loan receivables for the year ended 31 March 2026. According to the "Letter from the Board" of the Circular, the Settlement is expected to give rise to a limited loss of about HK$19.25 million to the Group, and the loss per Share would increase as further discussed in the paragraph headed "5. Financial effects of the Settlement" below. In our view, this reduces the adverse financial impact of the Settlement when assessed against the certainty of resolving the outstanding loans.

(v) Potential negative perception of the Group

- On hindsight, this employee incentive arrangement did not achieve its objectives, where employees (being the Borrowers in this case) were supposed to be rewarded through capital market mechanism by selling Shares in the market in place of the Group having to directly pay monetary rewards from the Group's internal resources.

- We understand from the Management that the Vendor Subscription Loans, which are to facilitate the implementation of the aforesaid employee incentive arrangement, are not meant to be structured for the Group to make a profit per se. Having regard the original intentions, protracted pursuit of monetary recovery from the Borrowers may give rise to potential negative perception on the Group as an employer, affecting its corporate image.

Our view

Having considered the above, including (i) the original nature of the Vendor Subscription Loans as an employee incentive arrangement; (ii) the diminished retention purpose and increased uncertainty as to recoverability; (iii) the certainty afforded by the Settlement as compared with maintaining the status quo or pursuing enforcement; (iv) the avoidance of potential open-market disposal pressure; (v) the cancellation of the Buy-back Shares and the corresponding increase in the relative shareholding of the Shareholders; (vi) the absence of immediate operating cash outflow by the Company; (vii) the additional cash recovery from the ZZY Compensation; (viii) enhancement of net asset value per Share attributable to the Shareholders and with limited expected loss to the Group; and (ix) negative impact that may arise on the Group's corporate image, we are of the view that the entering into of the Settlement

Deeds is commercially justifiable, fair and reasonable so far as the Disinterested Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Share Buy-Backs

The Company shall buy back an aggregate of 256,090,025 Buy-back Shares from the Vendors at the aggregate consideration of approximately HK$72.99 million, being the Buy-back Price of HK$0.285 per Buy-back Share multiplied by the aggregate number of Buy-back Shares.

According to the "Letter from the Board" of the Circular, the Buy-back Price was determined following arm's length negotiations between the Company and each of the Vendors with reference to, among other factors: (i) movements in the market price of the Shares over a period of five consecutive trading days up to the Last Trading Day; (ii) prevailing market conditions; and (iii) the closing price of the Shares on the Last Trading Day.

The Buy-back Price of HK$0.285 per Buy-back Share represents:

(i) a premium of approximately 5.56% over the closing price of HK$0.270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) no premium over or discount to the closing price of HK$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) no premium over or discount to the average closing price of approximately HK$0.285 per Share based on the daily closing prices 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 discount of approximately 1.04% to the average closing price of approximately HK$0.288 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 6.25% to the average closing price of approximately HK$0.304 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

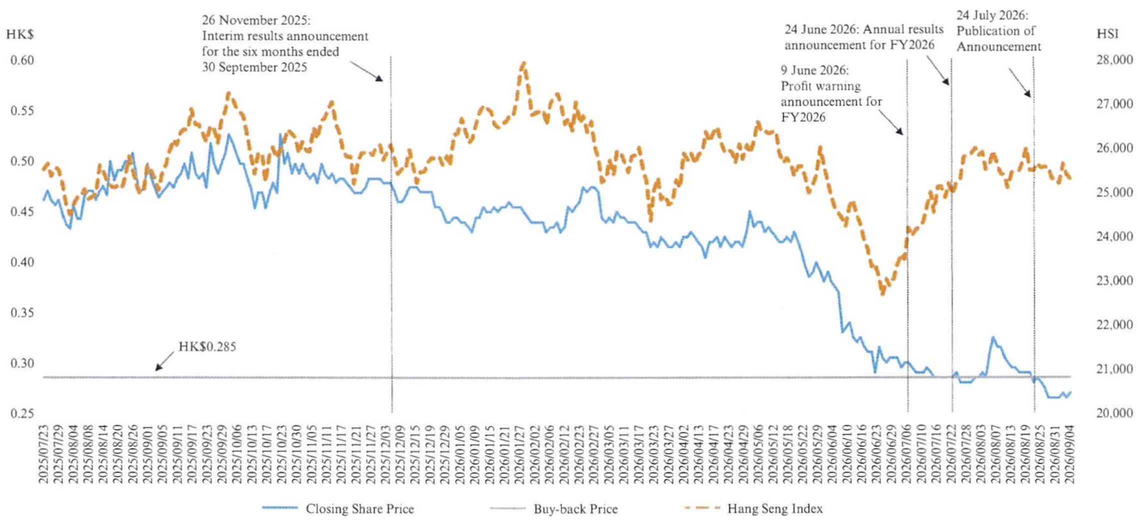
(vi) a discount of approximately 25.00% to the average closing price of approximately HK$0.380 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;

(vii) a discount of approximately 32.30% to the average closing price of approximately HK$0.421 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day; and

(viii) a discount of approximately 83.40% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately RMB1.487 (equivalent to approximately HK$1.717 based on the exchange rate of HK$1 to RMB0.866) per Share as at 31 March 2026 based on the Company's latest audited financial statements published in the Company's annual report for the year ended 31 March 2026.

3.1 Historical Share price performance

The chart below illustrates the historical closing prices of Shares in the past year from 23 July 2025 (i.e. about 12 months before the Last Trading Day) to the Last Trading Day and subsequent to that up to the Latest Practicable Date (the "**Review Period**"). We are of the view that a review period of around one year adequately illustrates recent price movements of the Shares which reflect prevailing market sentiments as well as market perception of the value of the Shares. It is a reasonable time frame for comparison of the closing prices of Shares and the Buy-back Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest and lowest closing price of the Shares were HK$0.527 per Share recorded on 2 and 23 October 2025 and HK$0.265 per Share recorded on 31 August and 1, 2, 3 and 7 September 2026, respectively, where the Buy-back Price, being HK$0.285 per Buy-back Share, is within the aforesaid range of closing prices of the Shares and at lower end of the range. The average daily closing price per Share over the Review Period was approximately HK$0.419 per Share, and the Buy-back Price represents a discount of approximately 32.0% to such average of closing prices.

As illustrated in the graph above, the Shares had generally traded at higher than the Buy-back Price of HK$0.285 per Buy-back Share during the Review Period (i.e. 255 out of 279 trading days). Since the commencement of the Review Period (i.e. 23 July 2025) up to late November 2025, closing prices of the Shares were traded between HK$0.433 per Share and HK$0.527 per Share. During the aforementioned period of time, the Share closing price reached its highest of HK$0.527 per Share on 2 and 23 October 2025 respectively. Subsequent to the Company publishing its interim results announcement for the six months ended 30 September 2025 on 26 November 2025, the Share closing price has been traded generally on a downward trend from HK$0.483 per Share on 27 November 2025 to HK$0.375 per Share on 8 June 2026. More substantial decline in closing prices was observed after the Company published its profit warning announcement for FY2026 on 9 June 2026 as the closing price decreased from HK$0.370 per Share on 9 June 2026 to a low of HK$0.290 per Share on 24 June 2026, when the Company published its annual results announcement for FY2026. A similar downward trend was observed in the market during the aforementioned period of time as the Hang Seng Index decreased from 24,566 as at 9 June 2026 to 23,412 as at 24 June 2026. Thereafter, the Share closing price traded at levels around the Buy-back Price and recorded at HK$0.285 per Share and HK$0.270 per Share on the Last Trading Day and the Latest Practicable Date, respectively.

Considering that the Buy-back Price is lower than the closing prices of the Shares during most of the Review Period (i.e. 255 out of 279 trading days), and that it represents a discount of approximately 32.0% to the average closing prices of the Shares during the Review Period, we are of the view that the Buy-back Price is fair and reasonable from the point of view of the historical trading prices of Shares.

3.2 Historical liquidity of the Shares

According to the paragraph headed "Effects on the Shareholding structure of the Company" in the "Letter from the Board" of the Circular, as at the Latest Practicable Date, a total of 5,895,073,025 Shares were in issue, of which 3,067,423,528 Shares were held by Other Shareholders. The table below sets out information of the market trading liquidity of Shares during the Review Period.

Month	Number of trading days	Average daily trading volume *(number of Shares)*	Approximate % of average daily trading volume to total number of issued Shares as at the relevant month end	Approximate % of average daily trading volume to total number of issued Shares held by Other Shareholders
2025				
July (from 23 July)	7	8,613,286	0.15%	0.28%
August	21	9,422,714	0.16%	0.31%
September	22	7,997,545	0.14%	0.26%
October	20	9,054,409	0.15%	0.30%
November	20	5,147,150	0.09%	0.17%
December	21	3,728,413	0.06%	0.12%
2026				
January	21	3,263,810	0.06%	0.11%
February	17	4,493,706	0.08%	0.15%
March	22	2,659,773	0.05%	0.09%
April	19	2,100,474	0.04%	0.07%
May	19	2,938,316	0.05%	0.10%
June	21	4,353,096	0.07%	0.14%
July (up to the Last Trading Day)	16	2,106,000	0.04%	0.07%
July (from 24 July)	6	1,955,333	0.03%	0.06%
August	21	3,026,851	0.05%	0.10%
September (up to the Latest Practicable Date)	6	1,318,000	0.02%	0.04%

Source: The website of the Stock Exchange (www.hkex.com.hk)

We note that the trading activities of the Shares were thin during the Review Period relative to the number of Buy-back Shares as further explained below.

From the above table, the percentage of average daily trading volume to the total number of issued Shares ranged from approximately 0.02% to 0.16%. When compared to the total number of Shares held by Other Shareholders, the percentage ranged from approximately 0.04% to 0.31%. The average daily trading volume of the Shares during the Review Period was approximately 4,673,634 Shares, representing approximately 0.08% of the total number of issued Shares and approximately 0.15% of the total number of Shares held by Other Shareholders as at the Latest Practicable Date.

As an illustration, assuming the Company were to enforce its security and dispose of the number of Buy-back Shares in the open market, using the average daily trading volume during the Review Period as reference, it would theoretically require a period of approximately 55 trading days to complete the transaction (calculated based on dividing (i) the number of Buy-back Shares of 256,090,025 Shares; by (ii) the aforementioned average daily trading volume of the Shares during the Review Period of approximately 4,673,634 Shares). We are of the view that in the absence of the Share Buy-backs, such potential market disposal during a short period of time would possibly cause a considerable downward pressure on the price of the Shares. The Share Buy-backs therefore enable the Company and the Vendors to maintain orderly market trading by conducting the transaction off-market. We are of the view that the above is in the interests of the Company and the Shareholders as a whole.

3.3 Comparable analysis

To assess the fairness and reasonableness of the Buy-back Price, we have conducted a comparable analysis of the value of the Group as implied by the Buy-back Price and compared it against those of companies listed on the Stock Exchange which are engaged in similar business activities to those of Group (the "**Comparable Companies**").

In terms of valuation parameters, considering that the Group was loss making in its latest financial year; hence, price-to-earnings ratio is not applicable in this case. We then applied the price-to-book ratio ("**P/B Ratio**") and the price-to-sales ratio ("**P/S Ratio**") which are both commonly used valuation yardsticks appropriate for the purpose of this comparable analysis given the lack of profitability.

In selecting the Comparable Companies, our selection criteria focused on companies that (i) are currently listed on the Main Board of the Stock Exchange; (ii) are principally engaged in branding, marketing, design and sales of sporting goods (including sports-related apparel, footwear and accessories) in the PRC, which contributed over 50% of their respective latest financial year revenue; and (iii) are brand owners and/or licensed brand operators.

Based on the above selection criteria, we have identified an exhaustive list of four Comparable Companies, namely ANTA Sports Products Limited, Li Ning Company Limited, Xtep International Holdings Limited and 361 Degrees International Limited.

Disinterested Shareholders should note that, despite of the aforesaid criteria, cognisant that there exists no company which can be of exactly the same business model, scale of operation, trading prospect, and capital structure as the Group and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies save for the aforementioned selection criteria, we consider that the selected Comparable Companies are appropriate to serve as a benchmark reference for our comparable analysis purpose.

Our relevant findings are summarised in the following table:

Stock code	Company name	Principal business	Market capitalisation[(1)] *(HK$ million)*	Net asset value[(2)] *(HK$ million)*	Total revenue[(3)] *(HK$ million)*	P/B Ratio[(4)] *(times)*	P/S Ratio[(5)] *(times)*
1361	361 Degrees International Ltd	361 Degrees International Ltd is principally engaged in manufacturing and trading of sporting goods, including footwear, apparel, accessories and others in the PRC. The company operates its businesses through two segments, including the adults business segment and the kids business segment.	9,852.1	11,690.6	12,929.1	0.84	0.76
1368	Xtep International Holdings Ltd	Xtep International Holdings Ltd is principally engaged in the manufacture and sale of sportswear, including footwear, apparel and accessories. The company operates its businesses through three segments, including the mass market segment, the athleisure segment and the professional sports segment.	9,937.3	11,834.9	16,415.3	0.84	0.61
2020	ANTA Sports Products Ltd	ANTA Sports Products Ltd is principally engaged in the production and sale of sporting goods. The company operates through three segments of ANTA brand, FILA brand and other brands including DESCENTE and KOLON SPORT.	212,405.8	76,307.1	93,054.0	2.78	2.28
2331	Li Ning Company Limited	Li Ning Company Limited is principally engaged in the research and development, design, manufacturing and sales of sporting goods. The company operates through a segment of sporting goods with a product category of footwear, apparel, equipment and accessories.	36,781.9	32,047.9	34,334.2	1.15	1.07
					Mean	1.40	1.18
					Median	1.00	0.92
					Maximum	2.78	2.28
					Minimum	0.84	0.61

Stock code	Company name	Principal business	Market capitalisation[1] (HK$ million)	Net asset value[2] (HK$ million)	Total revenue[3] (HK$ million)	P/B Ratio[4] (times)	P/S Ratio[5] (times)
3818	The Company	The Group is principally engaged in brand development, design, and sales of sport-related apparel, footwear and accessories in the PRC as well as investment activities in the PRC and overseas.	1,680.1[6]	10,127.1	1,989.4	0.17[6]	0.84[6]

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

(1) Market capitalisation is calculated by multiplying the closing share price on the Stock Exchange by the total number of issued shares of the subject company as at the Latest Practicable Date.

(2) Net asset value attributable to shareholders is extracted from the respective latest published annual report of the subject company prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of RMB1.0 = HK$1.16.

(3) Total revenue is extracted from the respective latest published annual report of the subject company prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of RMB1.0 = HK$1.16.

(4) P/B Ratio is calculated by dividing market capitalisation (as described in Note 1) by net asset value attributable to shareholders (as described in Note 2).

(5) P/S Ratio is calculated by dividing market capitalisation (as described in Note 1) by total revenue (as described in Note 3).

(6) The implied market capitalisation of the Company is calculated based on the Buy-back Price of HK$0.285 per Share and 5,895,073,025 issued Shares as at the Latest Practicable Date. The implied P/B Ratio is calculated by dividing the implied market capitalisation by the net asset value attributable to shareholders of the Company as at 31 March 2026. The implied P/S Ratio is calculated by dividing the implied market capitalisation by the total revenue of the Group in FY2026.

As illustrated in the table above, the P/B Ratio of the Comparable Companies ranged from approximately 0.84 times to 2.78 times, with a mean of approximately 1.40 times and a median of approximately 1.00 times. The valuation of the Group, based on the implied market capitalisation arrived at using the Buy-back Price of HK$0.285 per Share, translates into an implied P/B Ratio of approximately 0.17 times, which is substantially below the P/B Ratio range of the Comparable Companies. In other words, from a P/B Ratio perspective, the Company is buying back the Buy-back Shares at a valuation lower than that of the Comparable Companies, which is in favour of the Company.

With respect to the P/S Ratio, the P/S Ratio of the Comparable Companies ranged from approximately 0.61 times to 2.28 times, with a mean of approximately 1.18 times and a median of approximately 0.92 times. The implied P/S Ratio of the Group, arrived at using the Buy-back Price of HK$0.285 per Share, is approximately 0.84 times, which is below the mean and median and falls within the P/S Ratio range of the Comparable Companies. In other words, from a P/S Ratio perspective, the Company is buying back the Buy-back Shares at a valuation within the range of the Comparable Companies and lower than the mean and median, which is in favour of the Company.

Overall, taking into account the above, we consider that the Buy-back Price is fair and reasonable from the market comparable analysis perspective.

4. Effects on the shareholding structure of the Company

As set out in the paragraph headed "Effects on the Shareholding structure of the Company" in the "Letter from the Board" of the Circular, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion.

	As at the Latest Practicable Date		**Immediately after Completion**	
	Number of Shares held	*Approximate % of the total issued share capital of the Company*	*Number of Shares held*	*Approximate % of the total issued share capital of the Company*
Chen Family Group				
Mr. Chen	2,359,936,000	40.03%	2,359,936,000	41.85%
Ms. Chen	199,498,730	3.38%	199,498,730	3.54%
Mr. Chen Yiyong	12,094,742	0.21%	12,094,742	0.21%
Subtotal	**2,571,529,472**	**43.62%**	**2,571,529,472**	**45.60%**
Vendors				
Mr. Zhang	166,120,025	2.82%	30,000	0.00%
Mr. Chen Shaowen	28,000,000	0.47%	—	0.00%
Mr. Nan Peng	16,000,000	0.27%	—	0.00%
Mr. Wang Yalei	16,000,000	0.27%	—	0.00%
Mr. Lyu	10,000,000	0.17%	—	0.00%
Ms. Sun Wei	10,000,000	0.17%	—	0.00%
Mr. Yang Gang	10,000,000	0.17%	—	0.00%
Subtotal	**256,120,025**	**4.34%**	**30,000**	**0.00%**

	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares held	*Approximate % of the total issued share capital of the Company*	*Number of Shares held*	*Approximate % of the total issued share capital of the Company*
Other Shareholders	3,067,423,528	52.04%	3,067,423,528	54.40%
Total	**5,895,073,025**	**100.00%**	**5,638,983,000**	**100.00%**

Assuming that there will be no other changes in the shareholdings of the members of the Chen Family Group and the Vendors and no other changes in the issued share capital of the Company between the Latest Practicable Date and the date of Completion, the interest of Other Shareholders in the Company's total number of issued Shares will increase from approximately 52.04% to approximately 54.40%. Meanwhile, there is no significant change in shareholdings in the Company nor change in control after the completion of the Share Buy-backs.

5. Financial effects of the Settlement

As a result of the Share Buy-backs, the number of issued Shares would have decreased from 5,895,073,025 Shares as at the Latest Practicable Date to 5,638,983,000 Shares. According to the "Letter from the Board" of the Circular, as a result of the Settlement, it is expected that the Group would recognise a loss of approximately HK$19.25 million.

This section sets out analysis on potential financial effects of the Settlement on the Group. It should be noted that the figures and financial impact shown below are for illustrative purpose only.

5.1 Effects on loss per Share

The loss per Share attributable to the Shareholders in FY2026 was approximately RMB0.0269. According to the paragraph headed "Financial effects of the Settlement" in the "Letter from the Board" of the Circular, the loss per Share attributable to the Shareholders would be increased to approximately RMB0.0314 assuming the Settlement had taken place on 1 April 2025.

5.2 Effects on net asset value per Share

The consolidated net assets per Share attributable to the Shareholders as at 31 March 2026 was approximately RMB1.48. According to the paragraph headed "Financial effects of the Settlement" in the "Letter from the Board" of the Circular, the net assets per Share attributable to the Shareholders would be improved to approximately RMB1.53 assuming the Settlement had taken place on 31 March 2026.

5.3 Total liabilities

As shown in the paragraph headed "Financial effects of the Settlement" in the "Letter from the Board" of the Circular, the Settlement has no impact on the total liabilities of the Group.

5.4 Effects on working capital

As the consideration for the Share Buy-backs will be fully satisfied by way of the Set-off against the Vendor Subscription Loans, the Settlement will not require the Company to deploy operating cash resources to fund the Share Buy-backs. In addition, Mr. Zhang will pay the ZZY Compensation of HK$20 million to the Company upon completion of his Settlement Deed. This would enhance the Group's working capital level.

From the above, on balance, we are of the view that the Settlement generally has positive financial effects on the Group, while the expected loss is manageable and acceptable when assessed against the certainty of resolving the outstanding loans.

RECOMMENDATIONS

Having considered the above principal factors and reasons, in particular,

(i) (a) the original nature of the Vendor Subscription Loans as an employee incentive arrangement; (b) the diminished retention purpose and increased uncertainty as to recoverability; (c) the certainty afforded by the Settlement as compared with maintaining the status quo or pursuing enforcement; (d) the avoidance of potential open-market disposal pressure; (e) the cancellation of the Buy-back Shares and the corresponding increase in the relative shareholding of the Shareholders; (f) the absence of immediate operating cash outflow by the Company; (g) the additional cash recovery from the ZZY Compensation; (h) enhancement of net asset value per Share attributable to the Shareholders and with limited expected loss to the Group; and (i) negative impact that may arise on the Group's corporate image, as detailed in the paragraph headed "**2. Background to and rationale for entering into the Settlement Deeds**";

(ii) the Buy-back Price is lower than the closing prices of the Shares during most of the Review Period (i.e. 255 out of 279 trading days), as detailed in the paragraph headed "**3.1 Historical Share price performance**";

(iii) from a market comparable analysis perspective, the Buy-back Price translates into (a) an implied P/B Ratio of approximately 0.17 times, which is substantially below the P/B Ratio range of the Comparable Companies; and (b) an implied P/S Ratio of approximately 0.84 times, which is below the mean and median and falls within the P/S Ratio range of the Comparable Companies, as detailed in the paragraph headed "**3.3 Comparable analysis**";

(iv) relative to the number of Buy-back Shares, the trading volume of the Shares was thin during the Review Period as detailed in the paragraph headed "**3.2 Historical liquidity of the Shares**", and the Share Buy-backs enable the Company and the Vendors to maintain orderly market trading by conducting the transaction off-market as otherwise, the potential market disposal during a short period of time would possibly cause a considerable downward pressure on the price of the Shares; and

(v) the Settlement generally has overall positive financial effects on the Group, while the expected loss is manageable and acceptable when assessed against the certainty of resolving the outstanding loans, as detailed in the paragraph headed "**5. Financial effects of the Settlement**",

we consider that, on balance, the terms of the Settlement Deeds and the Settlement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders, and we advise the Disinterested Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Settlement Deeds and the Settlement.

Yours faithfully,
For and behalf of
Altus Capital Limited

Jeanny Leung	**Chang Sean Pey**
Responsible Officer	*Responsible Officer*

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*