

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
連博資本有限公司

Rainbow Capital (HK) Limited

10 July 2026

To the Independent Board Committee and the Independent Shareholders

Huicheng International Holdings Limited
Room 1303, 13/F
New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION
OF SHARES UNDER SPECIFIC MANDATE
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 10 July 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 26 May 2026 (after trading hours), the Company and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 100,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share for a total consideration of HK\$10,000,000 in cash.

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with her hold an aggregate of 1,025,318,000 Shares, representing approximately 29.76% of the issued share capital of the Company if shareholding of the concert parties under the Class (6) Presumption is excluded. Upon completion of the Share Subscription, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the date of completion (save and except for the Share Subscription), the shareholding of the Subscriber or parties acting in concert with her will increase to approximately 31.74% of the issued share capital of the Company as enlarged by the Subscription Shares if shareholding of the concert parties under the Class (6) Presumption is excluded.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Share Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber, CEC Outfitters and Mr. ZHANG Yongli to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber or parties acting in concert with her), unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the allotment and issuance of the Subscription Shares to the Subscriber. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription, respectively, at the EGM.

The Subscriber (who is the daughter of Mr. ZHANG Yongli) is an associate of Mr. ZHANG Yongli, an executive Director, the chairman and chief executive officer of the Company who is interested in approximately 24.74% of the issued shares of the Company, and is therefore a connected person of the Company. Accordingly, the Share Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and will be subject to announcement, reporting and the Independent Shareholders' approval requirements.

Pursuant to the Listing Rules and Rule 2.8 of the Takeovers Code, the Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Share Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and the Subscriber and parties acting in concert with her that could reasonably be regarded as relevant to our independence. There was no engagement or connection between the Group or the Subscriber and parties acting in concert with her and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or the Subscriber and parties acting in concert with her. We possess extensive experience in advising the independent shareholders of Hong Kong listed companies on connected transactions involving the issuance of new shares under specific mandates, and applications for whitewash waivers. Within the one-year period

immediately preceding the Latest Practicable Date, we have acted as the independent financial adviser to various listed issuers, including China Youran Dairy Group Limited (9858.HK), Chongqing Iron & Steel Company Limited (1053.HK), and Greater Bay Area AI Computing Tech Co., Ltd. (1396.HK). Accordingly, we are considered eligible to give an independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver.

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 Circular; (ii) the information supplied 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 Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true 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 Circular 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 Circular 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 Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular 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 businesses, affairs, operations, financial position or future prospects of the Company or any of its substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Share Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Company is principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear, and property development.

(i) *Financial performance*

Set out in the table below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2023, 2024 and 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as extracted from the Company’s annual reports for FY2024 and FY2025:

	FY2025	FY2024	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	139,437	156,082	207,660
Cost of sales	(71,219)	(74,966)	(106,346)
Gross profit	68,218	81,116	101,314
Other income and gains	38,837	33,571	19,892
Selling and distribution expenses	(133,344)	(139,114)	(163,451)
Administrative expenses	(52,718)	(55,870)	(50,875)
Impairment losses on financial assets, net	(8,307)	(11,730)	(7,661)
Other expenses	(17,208)	(30,280)	(24,248)
Finance income	10,607	12,707	12,282
Finance costs	(321)	(533)	(616)
Share of profits and losses of associates	(1,502)	(1,683)	(452)
Loss before tax	(95,738)	(111,816)	(113,815)
Income tax expense	45	60	(30,292)
Loss for the year	(95,693)	(111,756)	(144,107)
Loss for the year attributable to the Shareholders	(93,443)	(109,413)	(142,522)

FY2024 as compared to FY2023

The Group’s revenue decreased by 24.8% from RMB207.7 million for FY2023 to RMB156.1 million for FY2024, which was primarily due to the decrease in retail sales from self-operated retailers. According to statistics from the National Bureau of Statistics, total retail sales of consumer goods in the PRC in 2024 increased by 3.5% year-on-year, among which the retail sales of garments only grew by 0.3% year-on-year. To mitigate market pressures, the Group closed several under-performing stores.

The Group’s gross profit decreased by 19.9% from RMB101.3 million in 2023 to RMB81.1 million in 2024 which was mainly due to the decrease in revenue and partially offset by the increase in gross profit margin. The Group’s gross profit margin increased by 3.2 percentage points from 48.8% in 2023 to 52.0% in 2024. Such increase was mainly due to a higher sales proportion of self-owned brands which had a higher gross profit margin.

The Group's other income and gains increased by 68.8% from RMB19.9 million in 2023 to RMB33.6 million in 2024, which was primarily due to (a) an increase in royalty income derived from the sublicensing business of the Santa Barbara Polo & Racquet Club trademarks, a third-party brand which the Group has been licensed since 2000; and (b) an increase in income from garment processing services for orders placed by third-party apparel companies.

The Group's selling and distribution expenses decreased by 14.9% from RMB163.5 million in 2023 to RMB139.1 million in 2024. Such decrease was generally in line with the decrease in revenue.

As a result of the foregoing, the Group's loss attributable to the Shareholders decreased by 23.2%, from RMB142.5 million in 2023 to RMB109.4 million in 2024.

FY2025 as compared to FY2024

The Group's revenue amounted to RMB139.4 million in 2025, representing a decrease of 10.7% as compared to that of RMB156.1 million in 2024. Such decrease was mainly attributable to the decrease in customer traffic at the Group's self-operated retail points, driven by the continued sluggishness in conventional stores.

The Group's gross profit decreased by 15.9% from RMB81.1 million in 2024 to RMB68.2 million in 2025. The Group's gross profit margin decreased by 3.1 percentage points from 52.0% in 2024 to 48.9% in 2025, primarily due to higher discounts offered for the clearance of aged inventories.

The Group's selling and distribution expenses decreased by 4.2% from RMB139.1 million in 2024 to RMB133.3 million in 2025, which was mainly due to the decrease rents and concession fees for occupying concession counters. Such decrease was in line with the decrease in revenue from self-operated retail points.

The Group's other expenses decreased by 43.2% from RMB30.3 million in 2024 to RMB17.2 million in 2025, which was mainly due to (a) the decrease in impairment on trademarks; and (b) the decrease in processing costs for external processing services which was in line with the decrease in income generated from external processing services. The Group performs impairment test on each trademark at the end of each reporting period. The impairment assessment was based on the forecast and estimation on the future development of each cash-generating unit to which the trademark is allocated.

As a result of the foregoing, the Group's loss attributable to the Shareholders decreased by 14.6% from RMB109.4 million in 2024 to RMB93.4 million in 2025.

(ii) Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2023, 2024 and 2025:

	31 December 2025	31 December 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	686,431	728,996	906,548
Total non-current assets	416,686	433,591	418,047
Total current liabilities	192,604	180,586	183,319
Total non-current liabilities	20,123	9,431	10,287
Net assets	890,390	972,570	1,130,989
Net assets attributable to the Shareholders	891,140	971,060	1,127,146

The Group's net assets attributable to the Shareholders decreased by 13.8% from RMB1,127.1 million as at 31 December 2023 to RMB971.1 million as at 31 December 2024, and further decreased by 8.2% to RMB891.1 million as at 31 December 2025. This downward trend was principally due to (a) the net loss attributable to the Shareholders of RMB109.4 million for FY2024 and RMB93.4 million for FY2025; and (b) that the Group's inventories decreased from RMB128.4 million as at 31 December 2023 to RMB96.7 million and RMB72.6 million as at 31 December 2024 and 2025 respectively.

(iii) Industry overview

The table below sets out the PRC's consumer goods retail sales growth for the years or period indicated:

year on year/period to period growth/ (contraction) rate	2022	2023	2024	2025	First quarter of 2026
Consumer goods retail sales	(0.2%)	7.2%	3.5%	3.7%	2.4%

Source: *National Bureau of Statistics of China*

In 2022, severely impacted by the COVID-19 pandemic, the PRC's retail sales of consumer goods recorded a year-on-year contraction of 0.2%. In 2023, driven by a low base effect from the preceding year and the gradual normalization of economic activities, consumer goods retail sales had a robust recovery, expanding by 7.2% year-on-year. However, this momentum experienced a deceleration subsequently. The growth rate decreased to 3.5% in 2024 and 3.7% in 2025, and further decreased to 2.4% in the first quarter of 2026.

(iv) Overall comments

Although the Group's net loss attributable to the Shareholders narrowed from RMB142.5 million for FY2023 to RMB109.4 million for FY2024, and further decreased to RMB93.4 million for FY2025, the Company's profitability did not improve and such reduction was not driven by an increase in gross profit. Instead, it was primarily attributable to fluctuations in other income and expenses, as well as a reduction in selling and distribution expenses as a result of the decrease in revenue. Against the backdrop of decelerating growth in the PRC's total retail sales of consumer goods, the outlook for the Group's business prospects remains challenging.

In view of the continued underperformance of the Group's business, in particular, the loss-making of the Group's products and accessories segment and property development business over the past five consecutive financial years, the management of the Company has been actively seeking other business growth and investment opportunities to enhance the value of the Company and its Shareholders as a whole. The Share Subscription at a significant premium to the market price not only allows the Company to replenish its financial resources but also provides an additional offshore cash resources buffer to explore business development and investment opportunities to enhance Shareholders' value.

2. Information on the Subscriber

The Subscriber is Ms. ZHANG Kailun (the daughter of Mr. ZHANG Yongli) and, as at the Latest Practicable Date, directly holds approximately 5.02% of the issued shares of the Company. Mr. ZHANG Yongli, an executive Director, the chairman and chief executive officer of the Company, is interested in approximately 24.74% of the issued shares of the Company.

3. Reasons for and benefits of the Share Subscription

The net proceeds from the Share Subscription are intended to be used as to (i) approximately 50% of the net proceeds (being approximately HK\$4,520,000) for exploring business development and investment opportunities to enhance Shareholders' value; and (ii) approximately 50% of the net proceeds (being approximately HK\$4,520,000) for replenishing cash resources resulted from the negative operating cash outflow and the payment of the 2025 Final Dividend and strengthening cash reserves to support dividend distributions in subsequent years. Based on the closing price of HK\$0.053 per Share on the date of the Share Subscription Agreement, the 2025 Final Dividend of HK\$0.01 per Share represents a high dividend yield of approximately 18.9%. Based on 1,025,318,000 Shares held by the Incoming Controlling Shareholder (as defined below) as at the record date of the 2025 Final Dividend, the Incoming Controlling Shareholder is entitled to a dividend of HK\$10,253,180, which is close to the total Share Subscription consideration of HK\$10,000,000. The Incoming Controlling Shareholder reinvests almost the entirety of such proceeds back into the Company at a substantial premium over the prevailing market price through the Share Subscription, which demonstrates its confidence and commitment to devoting resources in the Company. For the avoidance of doubt, as the record date for the 2025 Final Dividend was 12 June 2026, the Subscription Shares will not be entitled to the 2025 Final Dividend. Despite the Group's loss-making position and negative operating cash flow, we consider that maintaining the dividend distribution is a proactive corporate initiative to enhance shareholder returns and directly advances the best interests of the Independent Shareholders.

As at 31 December 2025, the Group had time deposits of RMB215.2 million, cash and cash equivalents of RMB82.8 million and borrowings of RMB15.4 million. Although the Group had abundant cash balance as at 31 December 2025, as stated in the Letter from the Board, the Subscriber and Mr. Zhang Yongli will become the controlling shareholder of the Company (the “**Incoming Controlling Shareholder**”) upon completion of the Share Subscription and the interest of the Controlling Shareholder will be further aligned with the performance of the Company. The Share Subscription, at a significant premium to the prevailing market price of the Shares, demonstrates the Incoming Controlling Shareholder’s confidence in, and commitment to, the Company’s long-term development and growth prospects, and will further strengthen the Company’s capital base by raising additional funds for the Group. As such, we consider that the Share Subscription is driven by strategic rationale rather than the Group’s immediate liquidity needs. Maintaining an abundant cash balance does not preclude the strategic necessity of fortifying the Company’s capital base to capture future growth and expansion opportunities as they arise. The willingness of the Incoming Controlling Shareholder to deploy personal liquidity into the Company at a marked premium over the prevailing market price serves as a powerful validation of the Group’s long-term intrinsic value. Therefore, the Independent Shareholders benefit from the dual advantage of the Group’s a strengthened financial position and a highly committed Incoming Controlling Shareholder whose economic interests are aligned with the long-term value of the Shares.

The Company has considered other alternative fundraising methods such as debt financing. However, debt financing may incur financial costs and may be subject to lengthy due diligence and negotiations with lenders. Given the Group’s consecutive net losses over recent years, we consider that debt financing would increase the Group’s financial burden, further undermine the Group’s financial performance and is not the most appropriate financing method for the Company. In particular, the Subscriber is willing to subscribe for the Shares at a substantial premium, and the Company had not conducted any equity fund-raising activities during the ten-year period prior to the Latest Practicable Date.

In respect of other equity financing methods, rights issue is the most commonly adopted equity financing method in the market. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. Additional cost would be required for rights issue and open offer, including underwriting commission, as compared to the Share Subscription. In view of the current industry conditions, there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required. Furthermore, a sizeable discount to the prevailing market price is typically required to incentivize shareholders to participate in a rights issue or an open offer, which would also result in a much higher and substantial dilution effect for the Shareholders and will not be in the best interest of the Company and its Shareholders as a whole. Therefore, we consider that rights issue and open offer are not the most appropriate financing methods for the Company.

Having taken into consideration the above factors, we consider that although the Share Subscription is not conducted in the ordinary and usual course of business of the Company, the Share Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Share Subscription Agreement

Set out below is a summary of the principal terms of the Share Subscription Agreement, details of which are set out in the Letter from the Board.

Date	:	26 May 2026
Parties	:	(a) the Company (an issuer) (b) the Subscriber (a subscriber)
Total Share Subscription consideration	:	HK\$10,000,000
Subscription price per Subscription Share	:	HK\$0.10

The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

5. Valuation on property interests of the Group and the Reassessed NAV

(i) Valuation on property interests of the Group

The valuation report (the “**Valuation Report**”) of the properties of the Group prepared by Ascent Partners Valuation Service Limited (the “**Valuer**”), the independent valuer, is set out in Appendix II to the Circular. According to the Valuation Report, the total market value and reference value of the Group’s properties in existing state attributable to the Group as at 30 April 2026 was approximately RMB833.9 million (the “**Valuation**”).

We have reviewed the Valuer’s qualification and experience in conducting property valuation. We noted that (a) the Valuer is mainly engaged in provision of valuation services, corporate advisory services and technology advisory services; (b) the Valuer possesses extensive experience in property valuation across the PRC and Hong Kong, and provided valuation services to various listed companies, including, among others, Chinlink International Holdings Limited (997.HK) and Town Health International Medical Group Limited (3886.HK); (c) Mr. Stephen Y. W. Yeung is a registered professional surveyor and a professional member of The Hong Kong Institute of Surveyors with over 15 years’ experience in valuation of properties in the PRC and Hong Kong; and (d) the Valuer is an independent third party to the Company, the Subscriber and their respective associates and concert parties. Based on the above, we are of the view that the Valuer is qualified to perform the valuation of the Group’s properties.

We have reviewed the Valuation Report and discussed with the Valuer methodologies of and bases and assumptions adopted for the Valuation. The Valuation has been undertaken on the basis of market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. It is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

Based on our review of other property valuation reports published by the companies listed on the Stock Exchange, we considered that similar bases and assumptions were commonly adopted in property valuations on the market and that these bases and assumptions were fair and reasonable.

In valuing the property interests held for owner occupation in the PRC, the Valuer has valued such properties on market basis and the direct comparison method is adopted where comparison based on comparable sale/asking evidences as available in the relevant market assuming sale with the benefit of vacant possession. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. In valuing the property interests held under construction in the PRC, the Valuer has valued the property assumed that they will be developed and completed in accordance with the latest development proposal provided to the Valuer. The Valuer has adopted the direct comparison method whereas applicable market comparable sales or asking evidences with adjustments are applied and have also taken into account the expended construction costs and the costs that will be spent to complete the development provided by the Group as at the Valuation Date in order to reflect the quality of the completed development. We have obtained and reviewed all comparable transactions identified by the Independent Valuer. Given that there are sufficient comparable transactions and information available for analysis, we consider that the use of market approach is fair and reasonable and is in line with market practice.

In valuing the property interests held for investment and held for owner occupation and investment in the PRC and Hong Kong, the Valuer has valued such properties on investment approach by taking into account the current passing rents of these real properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants or the reversionary values of such property interests. Given that portion of the underlying properties is primarily held to generate stable and recurring rental income, the market value of the owner-occupied portion can be reliably assessed by reference to the rental performance and yields of the investment property portion. We have obtained and reviewed the existing rental agreements in relation to such properties, the comparable transactions identified by the Independent Valuer, and the Independent Valuer's calculation of future cash flows. As the investment approach directly evaluates the present value of such future binding and reversionary cash flows, we consider that this methodology is fair and reasonable.

Regarding properties No. 6 and No. 8, the Group is unable to transfer, lease, or mortgage these properties due to title defects attributable to the vendors. Consequently, there is no active market for them, and they are deemed to be of no commercial value. Having obtained and reviewed the relevant legal opinions as well as the sale and purchase agreements, we consider it fair and reasonable to value these properties on the assumption that the Group obtains a good and legitimate title, taking into account that (a) these properties were owner-occupied by the Group as at the Valuation Date; (b) for property No. 6, the Group has secured the civil litigation against the vendor on the conveyance of title ownership; and (c) for property No. 8, the title defect is solely attributable to the fact that the vendor did not obtain the relevant State-owned Land Use Rights Certificate and the property has been continuously occupied by the Group since 2009.

(ii) Reassessed NAV

In evaluating the Subscription Price, we have taken into account the Group's reassessed net asset value attributable to the Shareholders (the "Reassessed NAV"), which is calculated based on the Group's net asset value as at 31 December 2025 and adjusted with reference to the Valuation.

Details of the adjustments are set out in the table below:

	<i>RMB</i>
Net asset value of the Group attributable to the Shareholders as at 31 December 2025	891,140,000
Add: net revaluation surplus arising from the valuation of the property interests attributable to the Group as at 30 April 2026 (<i>Note 1</i>)	341,898,620
Reassessed NAV	1,233,038,620
Reassessed NAV per Share (<i>RMB</i>) (<i>Note 2</i>)	0.3579
Reassessed NAV per Share (<i>HK\$</i>) (<i>Note 3</i>)	0.3962

Notes

1. Being the net revaluation surplus arising from the difference of the total market value and reference value of the property interests held by the Group in existing state attributable to the Group as at 30 April 2026, as appraised by the Valuer, and their corresponding book values attributable to the Group as at 31 December 2025
2. Based on 3,445,450,000 Shares in issue as at the Latest Practicable Date
3. Based on the exchange rate of HK\$1 RMB0.9032

6. Subscription Price

(i) Price comparison

The Subscription Price of HK\$0.10 per Subscription Share represents:

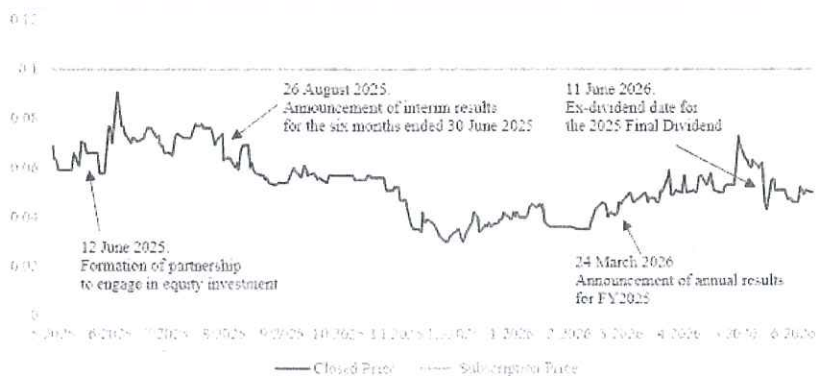
- (a) a premium of approximately 100.0% to the closing price of HK\$0.050 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

- (b) a premium of approximately 88.7% to the closing price of HK\$0.053 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement (the “Last Trading Date”);
- (c) a premium of approximately 93.8% to the average closing price of HK\$0.0516 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 92.7% to the average closing price of HK\$0.0519 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a premium of approximately 113.2% to the average closing price of HK\$0.0469 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Date;
- (f) a discount of approximately 65.1% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2025 of approximately HK\$0.2863 per Share calculated based on the audited consolidated net asset value of the Group attributable to the Shareholders of approximately RMB891,140,000 as at 31 December 2025 as extracted from the annual report of the Company for the year ended 31 December 2025 and 3,445,450,000 Shares then in issue (based on the exchange rate of HK\$1:RMB0.90322 as at 31 December 2025 published by the State Administration of Foreign Exchange for illustration purposes); and
- (g) a discount of approximately 74.1% to the Reassessed NAV per Share of approximately HK\$0.3962 per Share.

(ii) Historical Share price performance

Set out below is the chart showing the movement of the daily closing price of the Shares during the period from 26 May 2025, being approximately one year preceding the Last Trading Date, to the Latest Practicable Date (the “Review Period”). We consider that the Review Period is adequate to reflect the general market sentiment and illustrate the general trend and level of movement of the daily closing price of the Shares. A longer review period may not accurately reflect the Group’s latest financial performance and the prevailing market sentiment.

Historical daily closing price per Share



During the Review Period, the closing price of the Shares ranged from HK\$0.030 per Share to HK\$0.091 per Share, with an average closing price of HK\$0.054 per Share. The Subscription Price is above the closing prices of the Shares at all times during the Review Period.

Following the Company's announcement on 11 June 2025 regarding the formation of a partnership to engage in equity investment, the Share price surged by 30.0% from HK\$0.070 per Share on 11 June 2025 to a peak of HK\$0.091 per Share on 30 June 2025. Thereafter, the Share price entered a general downward trajectory, gradually declining to a low of HK\$0.030 per Share on 23 December 2025. Subsequently, the Share price staged a gradual recovery and stabilized, closing at HK\$0.053 per Share on 26 May 2026, being the Last Trading Date. Following the publication of the Announcement on 26 May 2026, the Share price surged to HK\$0.061 on 27 May 2026 and closed at HK\$0.050 as at the Latest Practicable Date, to which the Subscription Price represents a premium of approximately 100.0%.

(iii) Comparison companies

The Group is principally engaged in the business of design, manufacturing, marketing and sales of apparel products and accessories in the PRC, with a focus on menswear.

Price-to-earnings (“P/E(s)”), price-to-book (“P/B(s)”) and price-to-sale (“P/S(s)”) multiples are the three most commonly used benchmarks in valuing a company. Given that (i) the Group was loss-making for FY2025; (ii) the Group recorded net assets position as at 31 December 2025; and (iii) the Group's revenue was stable for FY2025, we consider that P/B and P/S multiples are appropriate in valuing the Group. The Group's revenue experienced only a moderate contraction of 10.7% from RMB156.1 million for FY2024 to RMB139.4 million for FY2025, marking a significant deceleration compared to the steeper year-on-year declines of 24.8% in 2024 and 36.2% in 2022. Based on (i) the Subscription Price of HK\$0.1 per Subscription Share; (ii) 3,445,450,000 Shares in issue on the Latest Practicable Date; and (iii) the Reassessed NAV of RMB1,233.0 million and total revenue of RMB139.4 million for FY2025, the P/B and P/S multiples implied by the Subscription Price are 0.26 time (the “**Implied P/B**”) and 2.23 times (“**Implied P/S**”) respectively.

In evaluating the fairness and reasonableness of the Subscription Price, we have, based on our search on Bloomberg, identified an exhaustive list of companies (the “**Comparable Companies**”) which are (i) principally engaged in manufacturing and sales of apparel products and accessories, accounting for more than 50% of its total revenue in the latest financial year; (ii) publicly listed on the Main Board of the Stock Exchange; and (iii) with market capitalisation in the range from HK\$90 million to HK\$270 million on the Last Trading Date, which represents a premium/discount range of approximately 50% to the Company's market capitalisation of HK\$182 million on the Last Trading Date. Establishing the market capitalisation range at a 50% premium and discount strikes a balance between maintaining peer comparability and securing a meaningful sample size. We consider that this market capitalisation range allows us to identify a sufficient

number of Comparable Companies that are reasonably close to the Company's market capitalisation. We did not include the companies engaged in property development as comparable companies, given that the Group did not generate any revenue from this segment in the past and the Board expects that the Group will cease to engage in the property development business upon completion of the sales of its existing properties under development. We also did not include the companies engaged in investment activities as comparable companies. In 2025, the Group recorded a fair value gain from financial assets at fair value through profit or loss of RMB7.9 million and dividend income from equity investments of RMB1.4 million, which is not significant compared to the Group's revenue and gross profit of RMB139.4 million and RMB68.2 million. Based on the aforesaid criteria, we have identified an exhaustive list of four Comparable Companies.

The following table set out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation on the Last Trading Date (HK\$ million)	P/B (times)	P/S (times)
Mulsanne Group Holding Limited (1817)	Design, marketing and sale of apparel products	233.7	0.27	0.10
China Ting Group Holdings Limited (3398)	Manufacturing and sales of garments and property investment	210.0	0.14	0.13
Embry Holdings Limited (1388)	Manufacturing and sale of ladies' brassieres, panties, swimwear, sleepwear and other	133.1	0.09	0.11
Speedy Global Holdings Limited (540)	Apparel supply chain servicing business which offers a wide range of woven wear, cut-and-sewn knitwear and sweater knitwear products	127.2	1.35	0.34
		Maximum	1.35	0.34
		Minimum	0.09	0.10
		Median	0.21	0.12
		Average	0.46	0.17
The Company	Design, manufacturing, marketing and sales of apparel products and accessories	182.61	0.26	2.23

As shown in the table above, the P/B multiples of the Comparable Companies ranged from approximately 0.09 time to 1.35 times with a median and average of approximately 0.21 time and 0.46 time respectively. The Implied P/B of approximately 0.26 time is higher than the median of the P/B multiples of the Comparable Companies. We have reviewed the annual report of Speedy Global Holdings Limited and noted that its production is primarily carried out through third-party manufacturers rather than its own factories. Consequently, its property, plant, and equipment account for a low proportion of its total assets, which subsequently leads to a significantly higher P/B ratio than that of other Comparable Companies. The median serves as a more appropriate benchmark than the average, as it eliminates the outlier effect caused by Speedy Global Holdings Limited. Furthermore, although the Implied P/B is below 1.0 time, we consider the Subscription Price to be fair and reasonable given the Group's consecutive net losses and decreasing net asset value since 2021. The discount represented by the Subscription Price to the Reassessed NAV per Share is consistent with the prevailing market conditions for the Comparable Companies.

The P/S multiples of the Comparable Companies ranged from approximately 0.10 time to 0.34 time with a median and average of approximately 0.12 time and 0.17 time respectively. The Implied P/S of approximately 2.23 times is higher than the P/S multiples of the Comparable Companies. Although the Implied P/S is significantly higher than the range of the Comparable Companies, we are of the view that the P/S analysis remains a meaningful reference for the Independent Shareholders, as it highlights the substantial valuation premium offered by the Subscription Price. Nevertheless, we advise the Independent Shareholders to review this indicator on a complementary basis, placing greater emphasis on our comprehensive analysis regarding the Share price, the P/B ratios of the Comparable Companies, and the Comparable Transactions.

(iv) Comparison transactions

To assess the fairness and reasonableness of the Subscription Price, we have conducted an exhaustive search on the Website of the Stock Exchange to identify recent market practices involving the issuance of new shares under a specific mandate. We identified an exhaustive list of 10 comparable transactions (the “**Comparable Transactions**”) based on the following criteria: (a) transactions announced by companies listed on the Main Board of the Stock Exchange during the period from 26 May 2025, being approximately one year preceding the Last Trading Date, up to and including the Last Trading Date; (b) transactions involving a connected subscription of new shares under the specific mandate; and (c) transactions that did not involve acquisitions, issuance of convertible bond, A shares or warrants, rights issues, open offers, loan capitalisation, or restructuring. Such transactions were excluded as the pricing of such transactions may be influenced by factors and conditions that are not comparable to the Share Subscription. The one-year review period ensures both the sufficiency of the sample size and a reliable reflection of the prevailing market sentiment.

Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions conducted by companies listed on the Main Board of the Stock Exchange. We did not adopt whitewash waiver, subscription size, and dilution effect as selection criteria, as there is no obvious correlation between the pricing discount/premium and these factors, as shown in the table below.

Company name (stock code)	Date of announcement	Premium/	Premium/	Premium/	Whitewash waiver	Subscription size (HK\$ million)	Dilution effect (Note) (%)
		(discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days immediately prior to and including the last trading date	(discount) of the subscription price over/to the average closing price per share for the last 30 consecutive trading days immediately prior to and including the last trading date	(discount) of the subscription price over/to the average closing price per share for the last 60 consecutive trading days immediately prior to and including the last trading date			
		(%)	(%)	(%)			
China Youran Dairy Group Limited (9858)	16 January 2026	(8.8)	(17.9)	(15.2)	Y	1,173.1	4.1
Energy International Investments Holdings Limited (353)	24 December 2025	(18.3)	(19.4)	(22.8)	N	198.5	18.8
BeijingWest Industries International Limited (2339)	17 November 2025	(34.2)	(20.0)	(18.2)	N	212.3	9.6
China Wacan Group Company Limited (1920)	10 November 2025	4.3	2.2	-	N	44.5	10.8
WuXi XDC Cayman Inc (2268)	3 September 2025	(4.0)	(2.9)	1.1	N	1,420.3	0.6
DL Holdings Group Limited (1709)	7 August 2025	(11.9)	(13.0)	(16.8)	N	59.0	0.6
Tesson Holdings Limited (1201)	25 July 2025	(16.7)	(19.1)	(11.7)	N	44.0	8.4
OSL Group Limited (863)	25 July 2025	(15.3)	(16.2)	(3.5)	N	708.0	4.5
CT Vision S.L. (International) Holdings Limited (994)	8 July 2025	133.8	110.3	89.6	N	43.2	5.1
Sinohope Technology Holdings Limited (1611)	29 June 2025	(29.7)	(23.8)	(13.1)	N	132.4	5.1
	Maximum	133.8	110.3	89.6			
	Minimum	(34.2)	(23.8)	(22.8)			
	Median	(13.6)	(17.1)	(13.1)			
	Average	(0.1)	(2.0)	(1.2)			
The Company	26 May 2026	88.7	93.8	92.7	Y	1.0	1.5

Note: Being the decrease in the shareholding interests of public Shareholders

As shown in the table above, save for the subscription price of CT Vision S.L. (International) Holdings Limited, which represented high premiums over its prevailing market price, and the subscription prices of China Wacan Group Company Limited and WuXi XDC Cayman Inc., which were close to their respective market prices, the subscription prices of all other Comparable Transactions demonstrated varying degrees of discount to their respective market prices. The premiums represented by the Subscription Price are higher than the median and average premiums of the Comparable Transactions.

(v) Overall comments

Having considered that:

- (a) the Subscription Price is above the closing prices of the Shares at all times during the Review Period and represents premiums of approximately 86.7%, 88.7% and 100.0% to the average closing price during the Review Period, the closing price on the Last Trading Date, and the closing price as at the Latest Practicable Date, respectively;
- (b) the Implied P/B is higher than the median of the P/B multiples of the Comparable Companies and the Implied P/S is higher than the P/S multiples of the Comparable Companies;
- (c) although the Subscription Price represents a discount of approximately 74.1% to the Reassessed NAV per Share, it remains consistent with the prevailing market conditions of the Comparable Companies, as evidenced by the fact that the Implied P/B is higher than the median of the P/B multiples of the Comparable Companies; and
- (d) the premiums represented by the Subscription Price are higher than the median and average premiums of the Comparable Transactions, we are of the view that the Subscription Price is fair and reasonable.

7. Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the section headed “Effects on shareholding structure of the Company” of the Letter from the Board, immediately following the completion of the Share Subscription, the shareholding interests of the existing public Shareholders in the Company would be diluted from 51.52% to 50.06%. Nonetheless, in view of (i) the reasons for and the benefits of the Share Subscription, which is an appropriate fund-raising method currently available to the Company; and (ii) the Share Subscription (including the Subscription Price) being on normal commercial terms and fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

8. Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with her hold an aggregate of 1,025,318,000 Shares, representing approximately 29.76% of the issued share capital of the Company if shareholding of the concert parties under the Class (6) Presumption is excluded. Upon completion of the Share Subscription, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the date of completion (save and except for the Share Subscription), the shareholding of the Subscriber or parties acting in concert with her will increase to approximately 31.74% of the issued share capital of the Company as enlarged by the Subscription Shares if shareholding of the concert parties under the Class (6) Presumption is excluded.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Share Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber, CEC Outfitters and Mr. ZHANG Yongli to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber or parties acting in concert with her), unless the Whitewash Waiver is granted by the Executive.

The Subscriber has applied to the Executive for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with her) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to the Subscriber. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, amongst others, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Share Subscription, respectively, at the EGM.

Completion of the Share Subscription is conditional upon the granting of the Whitewash Waiver. Having taken into consideration (i) the reasons for and benefits of the Share Subscription as discussed in the section headed “3. Reasons for and benefits of the Share Subscription”; (ii) that the Share Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Share Subscription would not proceed if the Whitewash Waiver is not approved, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

OPINION AND RECOMMENDATION

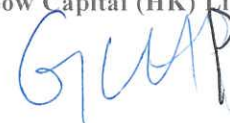
In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- The Share Subscription, at a significant premium to the prevailing market price of the Shares, demonstrates the Incoming Controlling Shareholder’s confidence in, and commitment to, the Company’s long-term development and growth prospects, and will further strengthen the Company’s capital base by raising additional funds for the Group;

- Debt financing would increase the Group's financial burden and further undermine the Group's financial performance, while there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required;
- The Share Subscription Price is fair and reasonable after considering the following:
 - the Subscription Price is above the closing prices of the Shares at all times during the Review Period and represents premiums of approximately 86.7%, 88.7% and 100.0% to the average closing price during the Review Period, the closing price on the Last Trading Date, and the closing price as at the Latest Practicable Date, respectively;
 - the Implied P/B is higher than the median of the P/B multiples of the Comparable Companies and the Implied P/S is higher than the P/S multiples of the Comparable Companies;
 - although the Subscription Price represents a discount of approximately 74.1% to the Reassessed NAV per Share, it remains consistent with the prevailing market conditions of the Comparable Companies, as evidenced by the fact that the Implied P/B is higher than the median of the P/B multiples of the Comparable Companies; and
 - the premiums represented by the Subscription Price are higher than the median and average premiums of the Comparable Transactions.

Based on the above, we consider that the Share Subscription is on normal commercial terms, and the Share Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Share Subscription and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Share Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Gary Poon
Managing Director

Mr. Gary Poon is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry. Prior to joining Rainbow Capital (HK) Limited, Mr. Gary Poon previously served as the director and type 6 (advising on corporate finance) responsible officer under the SFO of a state-owned PRC investment bank and in charge of its Hong Kong capital market mergers and acquisitions practice since 2021, where he successfully executed and advised on a number of capital market M&A financial advisory projects including certain Takeovers Code financial advisory transactions, acquisition financing transactions, and initial public offering sponsorship projects.