

28 July 2025

*To: The Independent Board Committee,
the Offer Shareholders of
China Financial Leasing Group Limited*

Dear Sirs or Madams,

**MANDATORY CONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF LONGLING CAPITAL LTD
TO ACQUIRE ALL THE ISSUED SHARES IN
CHINA FINANCIAL LEASING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY LONGLING CAPITAL LTD AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Offer Shareholders in respect of the Offer, details of which are set out in the composite offer and response document dated 28 July 2025 (the “**Composite Document**”) jointly issued by the Offeror and the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement jointly issued by the Offeror and the Company dated 24 June 2025. On 24 June 2025, the Offeror and the Company jointly announced, among others, that (a) on 13 June 2025, Vendor A and the Offeror entered into the SP Agreement A, pursuant to which Vendor A has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares A, being 95,706,441 Shares representing approximately 27.59% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$36,368,447.58 (equivalent to HK\$0.38 per Sale Share A); and (b) on 18 June 2025, Vendor B and the Offeror entered into the SP Agreement B, pursuant to which Vendor B has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares B, being 25,556,574 Shares representing approximately 7.37% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$9,711,498.12 (equivalent to HK\$0.38 per Sale Share B).

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Immediately after Completion which took place on 24 June 2025 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 121,263,015 Shares, representing approximately 34.96% of the total number of Shares in issue. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all non-executive Directors, namely Mr. Hui Yat On, Mr. Chan Pak Lam, Tom, Dr. Lau Kin Shing, Charles and Ms. Liu Min, has been established in accordance with Rule 2.1 of the Takeovers Code to advise the Offer Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

OUR INDEPENDENCE

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Offer Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

During the past two years, we did not act as an independent financial adviser and has not provided any other services to the Company, the Offeror, Mr. Cai, Vendor A, Vendor B and any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. We are independent from, and are not associated with the Company, the Offeror, Mr. Cai, Vendor A, Vendor B and any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as relevant to our independence. Accordingly, we are considered eligible to give independent advice in respect of the Offer to the Independent Board Committee and the Offer Shareholders in accordance with Rule 2.1 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in the Composite Document and/or provided to us by the Directors and the Offeror (where applicable). We have reviewed the information of the Company, including but not limited to, the announcements of the Company, the annual reports for the year ended 31 December 2022, 31 December 2023 and 31 December 2024 (the “**Annual Report 2022**”, “**Annual Report 2023**” and “**Annual Report 2024**”, respectively), the information contained in the Composite Document and certain published information from the public domain. We have assumed that all statements, information and representations provided by the Directors and the Offeror (where applicable) are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such statements, information, representations and/or our opinion contained in this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Directors and the Offeror (where applicable), which have been provided to us.

Your attention is drawn to the responsibility statements as set out in the paragraph headed “1. Responsibility Statement” under the section headed “Appendix III – General Information of the Group” in the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We have not carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Shareholders as a result of the Offer.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Shareholders will be notified of any material changes to such statements, information, opinions and/or representation as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company or of our opinion in which event this letter shall be amended and updated.

PRINCIPAL TERMS OF THE OFFER

According to the Composite Document, on 24 June 2025, the Offeror and the Company jointly announced, among others, that (a) on 13 June 2025, Vendor A and the Offeror entered into the SP Agreement A, pursuant to which Vendor A has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares A, being 95,706,441 Shares representing approximately 27.59% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$36,368,447.58 (equivalent to HK\$0.38 per Sale Share A); and (b) on 18 June 2025, Vendor B and the Offeror entered into the SP Agreement B, pursuant to which Vendor B has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares B, being 25,556,574 Shares representing approximately 7.37% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$9,711,498.12 (equivalent to HK\$0.38 per Sale Share B).

Immediately after Completion which took place on 24 June 2025 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 121,263,015 Shares, representing approximately 34.96% of the total number of Shares in issue. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

1. The Offer

Kingston Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer to acquire the Offer Shares on the following basis:

For each Offer Share HK\$0.38 in cash

The Offer Price is HK\$0.38 per Offer Share, which is the same as the purchase price per Sale Share paid by the Offeror to the Vendors under the SP Agreements.

As at the Latest Practicable Date, the Company had 346,897,482 Shares in issue and the Company did not have any outstanding options, warrants, derivatives or other securities which were convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and had not entered into any agreement for the issue of such options, warrants, derivatives or other relevant securities which were convertible or exchangeable into Shares.

Assuming that there is no change in the total number of Shares in issue and based on the Offer Price of HK\$0.38 per Offer Share and 346,897,482 Shares in issue as at the Latest Practicable Date, all the Shares in issue are valued at HK\$131,821,043.16. As the Offeror and parties acting in concert with it hold in aggregate 121,263,015 Shares immediately after Completion, 225,634,467 Shares are subject to the Offer. Based on the Offer Price of HK\$0.38 per Offer Share, the consideration of the Offer is HK\$85,741,097.46. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made (i.e. the date of the Composite Document). Since the Offer Shares tendered for acceptance will be acquired together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made (i.e. the date of the Composite Document, the event of any declaration of dividends by the Company on or after 28 July 2025, such dividends will not be used to set off against the consideration (or any part thereof) payable to the Offer Shareholders under the Offer.

The Offer will be conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of the Offer Shares, which together with the Shares already held by the Offeror and the parties acting in concert with it, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company as at the Closing Date. This Condition cannot be waived.

If the Condition is not fulfilled by the First Closing Date, the Offer will lapse in accordance with the Takeovers Code, unless extended. The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the Condition in accordance with the Takeovers Code and the Listing Rules.

The maximum amount of cash payable by the Offeror in respect of full acceptances of the Offer is HK\$85,741,097.46, assuming there is no change in the total number of Shares in issue from the Latest Practicable Date up to the close of the Offer. The Offeror intends to finance the consideration payable under the Offer with its internal resources. Kingston CF, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable upon full acceptances of the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee, the Offer Shareholders in respect of the Offer, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

General information of the Group

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange (stock code: 2312). It is an investment company listed under Chapter 21 of the Listing Rules. The Group is principally engaged in short to medium term (i.e., less than one year to five years) capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. Subject to the foregoing, the Company will realise investments from time to time according to market condition which is in the opinion of the Board to be in the best interests of the Company or where the terms on which such realisation can be achieved are in the opinion of the Board to be particularly favourable to the Company. The investment objective of the Company is to achieve an enhanced earnings stream and capital appreciation from its investments. It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities to achieve financial growth for the Group and to maximise the Shareholders' value. The Group strengthens its core business by adopting a prudent investment approach in selecting potential investment opportunities, and at the same time leveraging on favorable market conditions to maximize return.

Financial information of the Group

Set out below is a summary of the financial performance of the Group for the financial years ended 31 December 2022 ("FY2022"), 31 December 2023 ("FY2023") and 31 December 2024 ("FY2024") respectively as extracted from the Annual Report 2023 and Annual Report 2024:

	FY2022 (HK\$'000) <i>audited</i>	FY2023 (HK\$'000) <i>audited</i>	FY2024 (HK\$'000) <i>audited</i>
Revenue	155	758	1,150
Loss before taxation	(20,502)	(7,967)	(2,035)
Loss for the year attributable to owners of the Company	(20,502)	(7,967)	(2,035)

Table 1: Summary of the consolidated financial performance of the Group

FY2022 vs FY2023

According to the Annual Report 2022, the revenue of the Group for FY2022 included the interest income on bank deposits of approximately HK\$0.01 million and dividend income of approximately HK\$0.15 million. The Group recorded (i) sale proceeds from the disposal of listed securities of approximately HK\$57.55 million for FY2022, which resulted in realised losses on financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$10.40 million for FY2022; and (ii) the unrealised losses on financial assets at FVTPL of approximately HK\$5.65 million for FY2022 in respect of the investment held by the Group under the market condition of the military conflict between Russia and Ukraine and the risks of the recession and inflation fear in the economy.

As shown in the above table, the Group’s total revenue for FY2023 was approximately HK\$0.76 million, representing an increase of approximately HK\$0.60 million or 375.0%, compared to the revenue of approximately HK\$0.16 million for FY2022. The increase in revenue was due to (a) the increase in interest income on bank deposits of approximately HK\$0.23 million; (b) the increase in interest income from bonds of approximately HK\$0.05 million; and (c) the increase in dividend income of approximately HK\$0.32 million.

According to the Annual Report 2023, the Group recorded (i) sale proceeds from the disposal of listed securities of approximately HK\$99.69 million for FY2023, which resulted in realised losses on financial assets at FVTPL of approximately HK\$7.17 million for FY2023; and (ii) the unrealised gains on financial assets at FVTPL of approximately HK\$2.21 million for FY2023 in respect of the investment held by the Group under the improved market condition from the ease of the inflation.

Due to (i) the increase in revenue of the Group for FY2023; and (ii) the reduction in net loss on financial assets (including both realised and unrealised gains/losses) at FVTPL for FY2023 as compared with that for FY2022, the loss for the year attributable to owners of the Company decreased from approximately HK\$20.50 million for FY2022 to approximately HK\$7.97 million for FY2023, representing a decrease of approximately HK\$12.53 million or 61.1%.

FY2023 vs FY2024

The Group’s total revenue for FY2024 was approximately HK\$1.15 million, representing an increase of approximately HK\$0.39 million or 51.3%, compared to the revenue of approximately HK\$0.76 million for FY2023. The increase in revenue was the combined effect of (a) the increase in dividend income of approximately HK\$0.46 million; (b) the increase in interest income from bonds of approximately HK\$0.12 million; and (c) the decrease in interest income on bank deposits of approximately HK\$0.19 million.

According to the Annual Report 2024, the Group (i) has increased its investment in listed debt instruments, such as retail green bonds and retail infrastructure bonds issued by the Government of Hong Kong during FY2024; and (ii) recorded sale proceeds from the disposal of listed securities of approximately HK\$188.05 million for FY2024, which resulted in realised gains on financial assets at FVTPL of approximately HK\$2.14 million for FY2024. However, the Group also recorded an unrealised losses on financial assets at FVTPL of approximately HK\$1.25 million for FY2024 in respect of the investment held by the Group.

Due to (i) the increase in revenue of the Group; and (ii) the net gain on the financial assets (including both realised and unrealised gains/losses) at FVTPL for FY2024 as compared with a net loss on the financial assets at FVTPL for FY2023, the loss for the year attributable to owners of the Company decreased from approximately HK\$7.97 million for FY2023 to approximately HK\$2.04 million for FY2024, representing a decrease of approximately HK\$5.93 million or 74.4%.

Set out below is a summary of the financial position of the Group as at 31 December 2023 and 31 December 2024 respectively as extracted from the Annual Report 2024:

	As at 31 December 2023 (HK\$'000) <i>audited</i>	As at 31 December 2024 (HK\$'000) <i>audited</i>
Non-current assets		
Property, plant and equipment (<i>Note 1</i>)	—	—
Right-of-use assets (<i>Note 2</i>)	—	—
Refundable rental deposit	60	60
	60	60
Current assets		
Financial assets at FVTPL	58,951	74,940
Deposits and prepayments	446	26
Cash and cash equivalents	1,179	3,374
	60,576	78,340
Total assets	60,636	78,400
Current liabilities		
Accruals	373	393
Lease liabilities	93	272
	466	665
Non-current liabilities		
Lease liabilities	—	96
Total liabilities	466	761
Net current assets	60,110	77,675
Net assets	60,170	77,639

Table 2: Summary of the consolidated financial position of the Group

Notes:

1. *As the property, plant and equipment have been fully depreciated, the net carrying amount is nil as at 31 December 2023 and 31 December 2024.*
2. *The right-of-use assets represent the office leased by the Group under a lease contract for a fixed term of two years with an inclusion of a renewable option. The lease contract will be ended on 30 April 2026. As at 31 December 2024, the right-of-use assets is nil due to the impairment loss provided under the Company's accounting policy.*

As shown in the above table, the non-current assets of the Group remained unchanged. The current assets of the Group, which mainly consists of the financial assets at FVTPL, increased from approximately HK\$60.58 million as at 31 December 2023 to approximately HK\$78.34 million as at 31 December 2024. The financial assets held by the Group as at 31 December 2023 and 31 December 2024 included equity securities listed in Hong Kong and the United States and other listed debt investments.

The following is the breakdown of the financial assets held by the Group as at 31 December 2023 and 31 December 2024 as extracted from the Annual Report 2024:

	As at 31 December 2023 (HK\$'000) audited	As at 31 December 2024 (HK\$'000) audited
Equity securities listed in Hong Kong and the United States, at cost	77,056	73,280
Listed debt investments, at cost	3,363	24,378
Net fair value loss	<u>(21,468)</u>	<u>(22,718)</u>
	<u><u>58,951</u></u>	<u><u>74,940</u></u>

As a result of the increase in the investment in listed debt instruments by the Group, the fair value of the financial assets increased from approximately HK\$58.95 million as at 31 December 2023 to approximately HK\$74.94 million 31 December 2024.

The Group had minimal liabilities as at 31 December 2023 and 31 December 2024. The current liabilities of the Group were approximately HK\$0.47 million and HK\$0.67 million as at 31 December 2023 and 31 December 2024 respectively while the non-current liabilities of the Group were nil and approximately HK\$0.10 million as at 31 December 2023 and 31 December 2024 respectively.

Dividend payment

We note that the Company has been loss-making and has not declared and distributed any dividend in the last three financial years. There is no guarantee that the Company will declare and distribute dividends to the Shareholders in future.

Investment portfolio

The following was the summary of the investment portfolio and the fair value of the financial assets at FVTPL as at 30 June 2025 showing the top 10 investments as provided by the management of the Company:

Name of the financial assets	Stock code	Fair value of the financial assets at FVTPL as at 30 June 2025 (HK\$'000) <i>unaudited</i>	Percentage to the total fair value of the financial assets
Retail Green Bonds due 2026 issued by the Government of Hong Kong (HKGB RGB 2610)	4273	8,308	10.7%
Retail Infrastructure Bonds due 2027 issued by the Government of Hong Kong (HKGB RIB 2712)	4286	8,292	10.6%
Tencent Holdings Limited	700	5,533	7.1%
CSOP Hong Kong Dollar Money Market ETF	3053	5,219	6.7%
iShares Bitcoin Trust ETF	IBIT	5,000	6.4%
ChinaAMC Bitcoin ETF	3042	4,806	6.2%
iShares Ethereum Trust ETF	ETHA	4,006	5.1%
China Hanking Holdings Limited	3788	3,893	5.0%
Tracker Fund of Hong Kong	2800	3,678	4.7%
China Mobile Limited	941	3,310	4.3%
Other financial assets (<i>Note</i>)		25,816	33.2%
Total financial assets at FVTPL		77,861	100.0%

Note:

Other financial assets include equity, bonds, trusts and funds listed in Hong Kong and the United States that each comprises less than 4.2% of the portfolio.

All the financial assets held by the Group as at 30 June 2025 are listed in Hong Kong or the United States. As discussed with the management of the Company, given that the investment strategy of the Group aims for short to medium term (i.e., less than one year to five years) capital appreciation by investing in a diversified portfolio of investments, it is normal and in the ordinary course of business of the Group to purchase new equity securities or debt instruments or to dispose the Group's existing investments from time to time. Furthermore, the fair value of the financial assets are changing from time to time based on their trading price on the relevant stock exchange. The above information of the investment portfolio of the Group is for reference only and does not represent the portfolio position of the Group as at the Latest Practicable Date. Therefore, we advise the Offer Shareholders taking a holistic approach to consider various factors as discussed in this letter to justify the fairness and reasonableness of the Offer instead of solely based on the portfolio position of the Group.

2. Prospect and outlook of the Group

According to the Annual Report 2024, the Hang Seng Index (“**HSI**”) broke the 14,800 level in January 2024 due to a sustained sell-off and liquidity crunch, as well as ongoing tensions between the US and China regarding trade, technology, and finance. Subsequently, in the second quarter, the HSI staged a mini rally of over 3,000 points, driven by the Chinese government’s policies aimed at economic stimulation and growth, as well as guidelines to boost the capital market. The tech-heavy composition of the HSI staged a significant rally of about 6,000 points within a one-month period from September to October 2024. China launched targeted stimulus measures aimed at boosting domestic consumption, supporting property markets, and enhancing infrastructure spending, sparking hopes for stabilization and recovery in the mainland economy. Consequently, investors flocked to the mainland and Hong Kong markets, with large tech companies and mainland financial stocks experiencing the biggest gains during the rally. However, the market experienced a quick and steep correction soon after, leaving some investors trapped at the peak of the rally. Nonetheless, the HSI rose 17.7% to close at 20,059 for FY2024, while the Hang Seng Tech Index rose 18.7% to close at 4,468 for FY2024. However, such gains remained lower than the 23.3% rise in S&P500 and 19.2% gain in Nikkei 225 indices respectively. The Directors consider that the ever-changing Sino-US relationship will continue to be a significant factor moving forward especially with President Trump taking a second term in office, affecting a wide range of sectors including tech and other industries sensitive to trade relations. Ongoing geopolitical risks, including President Trump launching tariff measures against Canada and Mexico, and to a slightly lesser extent toward China, have created a significant cloud of uncertainty in the global financial market.

The Company is an investment company listed under Chapter 21 of the Listing Rules which principally engaged in investing in a diversified portfolio of investments in listed and unlisted securities. Since the investment portfolio of the Company may change from time to time according to market condition, we consider that the overall market condition and the performance of the equity market in Hong Kong provide a more comprehensive view of the outlook of the Group rather than focusing on any particular securities in the investment portfolio on a certain date. As such, based on the above disclosure in the Annual Report 2024, we have reviewed the Hang Seng Indexes 2024 Year-End Market Report published by the Hang Seng Indexes Company Limited. According to the report, the HSI rebounded 17.7% in the year of 2024 after falling by 13.8% in the year of 2023. Such rebound was due to the market optimism on the Chinese government’s supportive policies and the United States of America (“**U.S.**”) Federal Reserve’s rate cuts. In this regard, we have also reviewed the latest information on the website of Hang Seng Indexes Company Limited, which the HSI has been fluctuating from the lowest of 18,874.14 on 13 January 2025 to the highest of 25,667.18 on 24 July 2025 during the period from the first trading day of 2025 to the Latest Practicable Date. Due to the introduction of new tariff rates by President Trump of the U.S. on 2 April 2025 as further discussed below, there was a sharp decrease in HSI from 23,202.53 on 2 April 2025 to 19,828.30 on 7 April 2025. Although the U.S. has suspended certain reciprocal tariffs for most trading partners up to 1 August 2025 and HSI subsequently recovered to the highest of 25,667.18 on 24 July 2025, given that there is no guarantee that the trade agreements with the trade partners could be reached before the end of July and President Trump may impose or change other U.S. government’s policies from time to time, after considering the potential impact on the inflation and Federal Reserve’s monetary policies by the uncertainty of the U.S. policies as further discussed below, there is no guarantee that it would be sustainable in the future. Furthermore, with reference to the Half-Yearly Monetary and Financial Stability Report published by the Hong Kong Monetary Authority in March 2025, the global equity market encountered a notable downward correction in late February 2025

due to concerns over economic outlook and the impact of trade policies of the U.S. The developments in the external environment will continue to influence the performance of the local equity market in Hong Kong. Changes in fiscal and trade policies under the new U.S. administration may lead to higher uncertainties over inflation risks and thus the future trajectory of interest rates in the U.S. This could have significant implications for capital flows in the global financial market. Additionally, the potential resurgence of trade tensions and growing geoeconomic fragmentation could pose downside risks to the global financial market, including Hong Kong's equity market.

Moreover, President Trump of the U.S. has imposed different degrees of tariffs on various countries, including the PRC, in his second presidency of the U.S. administration. Although, in June 2025, President Trump reported that a trade deal has been reached with the PRC that would restore the trade between two countries on an agreed tariff rates and the PRC would remove the export restrictions on rare earths minerals to the U.S. while the U.S. will allow Chinese students access to the U.S. universities, many specifics of the deal and details on how it will be implemented remain unclear according to the news by Reuters (<https://www.reuters.com/world/china/us-china-trade-talks-resume-second-day-2025-06-10/>). Furthermore, the Treasury Secretary of the U.S. indicated that the deal would not reduce the U.S. export restrictions on high-end artificial intelligence chips in return for access to China's rare earths. As such, the terms of the trade agreement between the U.S. and the PRC and its implementation remain unknown and the tariff rate or trade restriction imposed by the U.S. government may change from time to time. The risks of tariff-related inflation in U.S. may influence the expectation of the Federal Reserve's rate cut in 2025, which will in turn affect the capital flows in the global capital market, the outlook of the equity market in Hong Kong and the investment return and trading value of various investments of the Group.

After considering (i) the impact on the capital market caused by global environment including on-going trade confrontation between the U.S. and PRC, which will continue to influence the performance of Hong Kong equity market; (ii) the concern associated with the uncertainty of fiscal and trade policies of the U.S., which may affect the investment return of the financial assets held by the Group; and (iii) the net loss of the Group being recorded for FY2022, FY2023 and FY2024 as discussed in the section headed "1. Background and financial information of the Group" above in this letter, we consider that the future business environment remains challenging.

3. Information of the Offeror and Mr. Cai

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 15 May 2009 and its issued share capital as at the Latest Practicable Date comprised one share of US\$1.00 which was beneficially owned by Mr. Cai. The Offeror is principally engaged in the business of capital investments in the PRC and other countries.

Mr. Cai is the chairman and sole director of the Offeror. He is an entrepreneur and renowned investor in the Internet and technology industry in the PRC. Mr. Cai is the co-chairman (聯席主席) of the Early-stage Investment Committee of the Asset Management Association of China (中國證券投資基金業協會早期投資專委會) and an honorary chairman of the Angel Investment Union (天使聯合匯). Angel Investment Union (天使聯合匯) (previously known as China Business Angel Association (中國天使投資協會)) is the largest angel investor organization in China. It was founded in 2013 and currently has more than 220 angel investment governing units. Angel Investment Union provides growth space for investors, opportunities for entrepreneurs, development opportunities for entrepreneurs, and encourages more people to join the angel investment business. Mr. Cai has been appointed by the Government of Hong Kong as a new non-official member of the Task Force on Promoting Web3 Development for a term of two years, with effect from 1 July 2025.

In 2004, Mr. Cai established 265.com Inc. (北京二六五科技有限公司), a company that provides site navigation services. 265.com Inc. was sold to Google in 2007. Since then, Mr. Cai has become an influential figure in the Internet start-up community in the PRC.

Mr. Cai is the founder and currently a substantial shareholder of Meitu, Inc. (Hong Kong Stock Exchange Stock Code: 1357), which the principal activities of its subsidiaries and contractually controlled entities (together with their subsidiaries) are (i) to provide users with AI-driven photo, video and design products to address their needs relating to images, videos, and designs; and (ii) offering online advertising and other Internet value-added services through a globally popular portfolio of innovative image applications. Mr. Cai is also a controlling shareholder of China New Economy Fund Limited (Hong Kong Stock Exchange Stock Code: 80). Mr. Cai has invested in various technology start-ups in the PRC, including Baofeng Group Co., Ltd (暴風集團股份有限公司) (formerly listed on the Shenzhen Stock Exchange with a stock code of 300431), 58.com Inc. (NYSE: WUBA) and Feiyu Technology International Company Ltd. (Hong Kong Stock Exchange Stock Code: 1022). Mr. Cai is also the founder and chairman of Longling Capital Co., Ltd. From January 2009 to October 2013, Mr. Cai was the chairman of 4399 Network Co., Ltd (四三九九網絡股份有限公司), a software enterprise that provides Internet gaming applications and information services. He was also appointed as a part-time professor at the School of Management, Xiamen University in September 2015. From May 2011 to November 2015, Mr. Cai served as a director of 58.com Inc. Mr. Cai also held directorships in Xiamen Fei Bo Network Technology Co., Ltd (廈門飛博共創網絡科技股份有限公司) (National Equities Exchange and Quotations Stock Code: 834617) between June 2015 and October 2016, and TTG Fintech Limited (Australian Securities Exchange Ticker: TUP) between September 2012 and August 2017. Mr. Cai served as the chairman of Meitu, Inc. from July 2013 to June 2023.

4. Intentions of the Offeror in relation to the Group and the proposed changes in composition of the Board

As stated in the Composite Document, it is the Offeror's intention to acquire a majority interest in the Company pursuant to the Offer. As at the Latest Practicable Date, the Offeror intended to maintain the existing listed and unlisted equity investment business of the Group immediately after the close of the Offer, and to invest in diversified investment portfolios. In addition, the Offeror intends to focus on establishing a Crypto-AI digital asset investment platform in the Group, investing in digital asset exchanges (including stablecoins, BTC, ETH, RWA, NFT, DEFI, Depin and other new digital assets), and building a digital asset management platform. In line with the Policy Statement 2.0 on the Development of Digital Assets in Hong Kong released by the Government of Hong Kong in June 2025, the Offeror intends to increase the Group's investment in Web3 and AI technology innovation companies. The Offeror strives to build the Group into an innovative digital asset investment holding group. In addition to the above, the Offeror will review the Group's operations and business activities and formulate a long-term business strategy for the Group. Depending on the results of the review, the Offeror may explore other investment opportunities for the Group, seek to expand the Group's business and consider any equity, debt and other appropriate fund raising, to enhance the long-term growth potential of the Group. In the implementation of the aforesaid intentions regarding the Group, the Offeror will ensure that the Company will comply with the requirements under Chapter 21 of the Listing Rules (including the restrictions under Rule s 21.04(2)(a) and (b) of the Listing Rules).

As at the Latest Practicable Date, (i) the Offeror had no intention to make material changes to the employment of the employees of the Group (except for certain proposed changes to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate, as mentioned below); (ii) the Offeror had no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (iii) no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

As at the Latest Practicable Date, the Offeror intends to nominate Mr. Cai for appointment as non-executive Director and the Chairman of investment committee of the Company (the biographical details of Mr. Cai are set out in the section headed “Information on the Offeror and Mr. Cai” in the “Letter from Kingston Securities” in the Composite Document), and Mr. Wang Lijie, Ms. Zhang Suining and Mr. Choi Kam Keung, Oscar for appointment as independent non-executive Directors (the biographical details of the three nominees are set out in the section headed “Intentions of the Offeror regarding the Group” in the “Letter from Kingston Securities” in the Composite Document) at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate. Mr. Hui Yat On, Mr. Chan Pak Lam, Tom, Dr. Lau Kin Shing, Charles and Ms. Liu Min, being all the existing independent non-executive Directors, have expressed their intention to resign from their directorship after the appointment of the new independent non-executive Directors and the later of (a) the first date on which they are permitted to resign under the Takeovers Code, and (b) the date after the despatch of the interim report for the six months ended 30 June 2025.

The Offeror further intends to implement the Proposed Change of Company Name to change the English name of the Company from “China Financial Leasing Group Limited” to “CAI Corp” and adopt the Chinese name “CAI 控股” as its new dual foreign name to replace its existing Chinese name “中國金融租賃集團有限公司” after the close of the Offer. The Proposed Change of Company Name will not affect any rights of the holders of securities of the Company or the Company’s daily business operation and its financial position.

Although Mr. Cai has extensive experience in investing technology start-ups in the PRC and listed companies in Hong Kong and the PRC, and the Offeror intends to establish a Crypto-AI digital asset investment platform in the Group, invest in digital asset exchanges and build a digital asset management platform, after considering that (i) the crypto-currencies and the digital asset management platforms and related investments are generally considered as high-risk investments and their market value are highly fluctuated; (ii) the Offeror has yet to provide any detailed information regarding the investment in Web3 and AI technology innovation companies or the establishment of the digital asset management platform as at the Latest Practicable Date; (iii) the implementation of long-term business strategy of the Group is subject to Offeror’s review and the performance of the proposed investments has yet to be proven; and (iv) except for the non-executive Director and three independent non-executive Directors, who will not be involved in the daily operation of the Group, nominated by the Offeror, the new executive Directors to be nominated by the Offeror have not been identified, and their background were unknown as at the Latest Practicable Date, we consider that future development of the Group after the close of the Offer and the implementation and performance of the proposed investments by the Offeror are unknown and are yet to be proven given the uncertainties of Hong Kong and global financial markets as discussed in the section headed “2. Prospect and outlook of the Group” above, and thus the prospects of the Company remains uncertain as at the Latest Practicable Date.

5. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer. Each of the sole director of the Offeror and the proposed new Directors to be appointed to the Board has jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient Shares will be in public hands after the close of the Offer. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

6. Principal terms of the Offer

According to the Composite Document, the Offer Price of HK\$0.38 per Offer Share represents:

- (i) a discount of approximately 71.43% to the closing price of HK\$1.330 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 13.43% over the closing price of HK\$0.335 per Share quoted on the Stock Exchange on 12 June 2025, being the Last Trading Day;
- (iii) a premium of approximately 127.54% over the average closing price of approximately HK\$0.167 per Share quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 155.03% over the average closing price of approximately HK\$0.149 per Share quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 239.29% over the average closing price of approximately HK\$0.112 per Share quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 268.93% over the average closing price of approximately HK\$0.103 per Share quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 69.64% over the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.224 as at 31 December 2024, calculated based on the Group's audited consolidated net assets attributable to owners of the Company of approximately HK\$77,639,000 as at 31 December 2024 and 346,897,482 Shares in issue as at the date of the Joint Announcement; and

- (viii) a premium of approximately 65.22% over the unaudited net asset value per Share of approximately HK\$0.23 as at 30 June 2025 as disclosed in the Company's announcement dated 9 July 2025 as required under the Listing Rules, calculated based on the Group's unaudited consolidated net assets attributable to owners of the Company of approximately HK\$79,475,000 and 346,897,482 Shares in issue as at 30 June 2025.

Historical Share price performance

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the chart and table that illustrate the historical daily closing price as quoted on the Stock Exchange during (i) the period commencing from 12 June 2024 up to and including the Last Trading Day (the “**Pre-Announcement Period**”), being approximately one year prior to the Last Trading Day; and (ii) the period commencing from 25 June 2025 (i.e. the trading day right after the resumption of trading of the Shares after the Joint Announcement) to the Latest Practicable Date (the “**Post-Announcement Period**”) (collectively, the “**Review Period**”). We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the historical price movement of the Shares that covers a full year prior to the Last Trading Day, which includes the release of the interim results for the six months ended 30 June 2024 (“**HY2024**”) and the annual results for FY2024, and avoids any short-term fluctuation of the Share price, which may distort our analysis. The following chart sets out the daily closing price and trading volume of the Shares on the Stock Exchange during the Review Period:

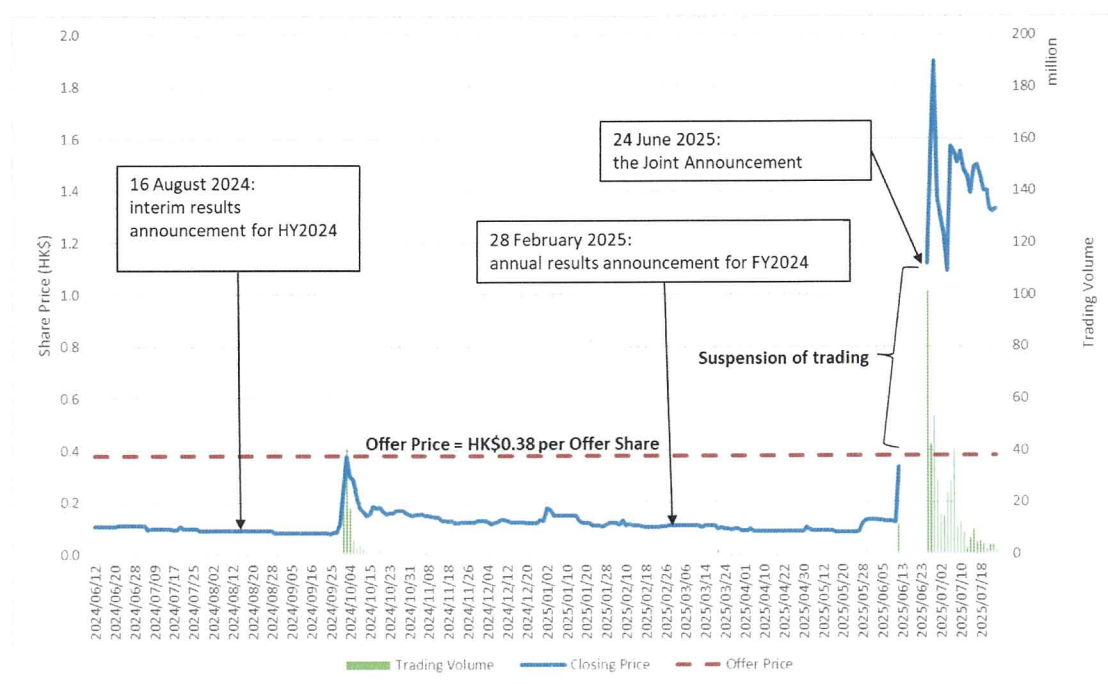


Chart 1: Historical closing price and trading volume of the Shares during the Review Period

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

As shown in the above Chart 1, during the Pre-Announcement Period, the daily closing price of the Shares ranged from the lowest of HK\$0.080 per Share on 25 September 2024 to the highest of HK\$0.375 per Share on 3 October 2024, with an average closing price of HK\$0.116 per Share. The Offer Price of HK\$0.380 per Offer Share is higher than the closing price of Shares and represents a premium of approximately 227.59% over the average closing price during the Pre-Announcement Period. We note that the closing price of the Shares was highly fluctuated in the early October 2024 and on the trading day before the Joint Announcement. As advised by the Directors, they are not aware of any specific reasons for the aforesaid closing price fluctuation of the Shares during the Pre-Announcement Period, particularly in October 2024.

Trading in the Shares on the Stock Exchange has been halted on 12 June 2025 at the request of the Company pending the release of the Joint Announcement and has been subsequently resumed on 25 June 2025. During the Post-Announcement Period, the daily closing price of the Shares ranged from the lowest of HK\$1.090 per Share on 4 July 2025 to the highest of HK\$1.900 per Share on 27 June 2025, with an average closing price of HK\$1.423 per Share. The highest and the average daily closing price of the Shares represents a premium of approximately 400.0% and 274.5% over the Offer Price. As advised by the Directors, they are not aware of any specific reasons for the aforesaid closing price fluctuation of the Shares during the Post-Announcement Period. We are uncertain if the upward movement of the closing price of the Shares during the Post-Announcement Period is the result of the market reaction from the Joint Announcement on the Offeror or if it is due to any other reasons. However, there is no guarantee that the Share price will or will not sustain and will or will not be higher than the Offer Price during and after the Offer Period even though the Offer Price is below the range of the closing price of the Shares during the Post-Announcement Period given the volatility of the Shares and the market conditions in this period.

Trading volume of the Shares

In addition to the historical closing price of the Shares, we have also reviewed the trading volume of the Shares during the Review Period. The table below summarizes the trading volume of the Shares during the Review Period:

Month	Total trading volume of Shares (Shares)	Number of trading days (days)	Approximate average daily trading volume of the Shares (Shares)	Approximate percentage of average daily trading volume to the total number of issued Shares held by public Shareholders (Note)
Pre-Announcement Period				
2024				
12 June to 30 June	672,575	13	51,737	0.023%
July	915,500	22	41,614	0.018%
August	359,000	22	16,318	0.007%
September	206,912	19	10,890	0.005%
October	100,528,888	21	4,787,090	2.122%
November	3,007,239	21	143,202	0.063%
December	871,251	20	43,563	0.019%
2025				
January	504,549	19	26,555	0.012%
February	1,627,250	20	81,363	0.036%
March	2,232,048	21	106,288	0.047%
April	368,890	19	19,415	0.009%
May	2,852,100	20	142,605	0.063%
1 June to Last Trading Day	12,117,953	9	1,346,439	0.597%
Post-Announcement Period				
2025				
25 June to 30 June	225,130,995	4	56,282,749	24.944%
2 July to the Latest Practicable Date	193,672,115	18	10,759,562	4.769%

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

Note: The percentage is calculated based on the approximate average daily trading volume of the Shares divided by the total number of issued Shares held by public Shareholders, which represents the total number of issued Shares at the end of each month or period subtracted by the number of issued Shares held by the Vendors.

During the Pre-Announcement Period, the average daily trading volume of the Shares ranged between 10,890 and 4,787,090 Shares, representing approximately 0.005% and 2.122% of the total number of issued Shares held by the public Shareholders at the end of the relevant months respectively. During the Post-Announcement Period, the average daily trading volume of the Shares was ranged between 10,759,562 Shares and 56,282,749 Shares, representing approximately 4.769% and 24.944% of the total number of issued Shares held by the public Shareholders at the Latest Practicable Date and the end of June 2025 respectively. Save for the average daily trading volume of the Shares to the total number of issued Shares held by the public Shareholders in October 2024 and during the period from 1 June 2024 to the Last Trading Day and the Post-Announcement Period, the average daily trading volume of the Shares in other months/periods during the Review Period represents less than 0.07% of the total number of the Shares held by public Shareholders, the liquidity of the Shares during the Review Period has been, in our view, generally thin. Although there is an increment in the trading volume of the Shares during the Post-Announcement Period, given that the Post-Announcement Period includes 22 trading days only, there is no guarantee that such short-term increment in trading volume would be sustainable and the Offer Shareholders may encounter difficulties to execute on-market disposals without adversely affecting the price of the Shares after the close of the Offer, if they consider to retain their Shares under the Offer.

Comparable analysis

To further evaluate the fairness and reasonableness of the Offer Price, we have conducted comparable companies analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted comparison benchmarks in the evaluation of a company. For comparison purpose, we have considered the price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”), which are the most commonly adopted valuation benchmark in the course of valuation of companies. However, given that the Group recorded net loss attributable to owners of the Company for FY2023 and FY2024, the P/E Ratio is not applicable in this case. As the companies listed under Chapter 21 of the Listing Rules are required to announce their monthly net asset value under the Listing Rules, which could reflect the size of the financial assets being put under investment, we consider that the financial information for the calculation of P/B Ratio can be fairly and directly obtained from publicly available information and would be sufficient to reflect their latest value as compared with other valuation benchmark. Therefore, we have adopted the P/B Ratio as the valuation benchmark for our market comparable analysis.

We have selected all comparable companies that are listed on the Stock Exchange under Chapter 21 of the Listing Rules, of which the shares are not in prolonged suspension. We have identified 19 listed companies that have fulfilled the above criteria (the “**Comparable Companies**”). Since the investment portfolio of these Comparable Companies may change from time to time, we did not take the factors of the investment portfolio mix into account as a selection criterion for the Comparable Companies. We are of the view that the Comparable Companies have been exhaustively identified and form a fair, reasonable, appropriate and representative sample for the purpose of drawing a meaningful comparison given that their principal activities and investment objective are investing in listed and unlisted securities and companies and they are all listed on the Stock Exchange under Chapter 21 of the Listing Rules despite the fact that their investment portfolios could be different from one another.

Set out below is the summary of our market comparable analysis:

No.	Stock code	Company name	Market capitalisation (HK\$ million) (Note 1)	Net asset value (HK\$ million) (Note 2)	P/B Ratio (Note 3)
1	80	China New Economy Fund Limited	527.88	52.79	10.00
2	133	China Merchants China Direct Investments Limited	2,486.07	6,125.31	0.41
3	204	Capital Realm Financial Holdings Group Limited	53.44	214.81	0.25
4	339	China Sci-Tech Industrial Investment Group Limited	97.63	6.52	14.97
5	356	DT Capital Limited	202.41	60.18	3.36
6	428	Cocoon Holdings Limited	26.03	122.12	0.21
7	612	Ding Yi Feng Holdings Group International Limited	523.08	484.04	1.08
8	721	China Financial International Investments Limited	614.41	219.43	2.80
9	768	UBA Investments Limited	63.59	96.65	0.66
10	770	Shanghai International Shanghai Growth Investment Limited	5.83	10.07	0.58
11	810	China Castson 81 Finance Company Limited	25.46	27.15	0.94
12	905	Walnut Capital Limited	1,943.43	218.50	8.89
13	913	Harbour Digital Asset Capital Limited	136.60	179.18	0.76
14	1062	China Development Bank International Investment Limited	325.05	982.69	0.33
15	1140	Wealthink AI-Innovation Capital Limited	988.91	10,120.55	0.10
16	1160	Goldstone Capital Group Limited	55.76	5.46	10.22
17	1217	China Innovation Investment Limited	166.42	563.27	0.30
18	1226	China Investment and Finance Group Limited	449.73	177.42	2.53
19	2324	Capital VC Limited	60.32	329.63	0.21
				Maximum	14.97
				Minimum	0.10
				Average	3.08
				Median	0.76
	2312	the Company	131.821 (Note 4)	79.48	1.65 (Note 5)

Notes:

1. *The market capitalisation is calculated based on the closing price and the number of issued shares (excluding treasury shares) of the Comparable Companies as at the Latest Practicable Date.*
2. *The net asset value of the Comparable Companies is calculated based on the latest published net asset value per share and the number of issued shares (excluding treasury shares) of the Comparable Companies as at the Latest Practicable Date.*
3. *The P/B Ratio of the Comparable Companies is calculated based on their closing price as at the Latest Practicable Date divided by their latest published net asset value per share.*
4. *The implied market capitalisation of the Company is calculated by multiplying the Offer Price by the number of issued Shares as at the Latest Practicable Date.*
5. *The implied P/B Ratio of the Company is calculated based on the Offer Price divided by the unaudited net asset value per Share as at 30 June 2025.*
6. *An exchange rate of US\$1 to HK\$7.85 is adopted for net asset value presented in US\$ in the announcement of the Comparable Companies.*

As shown in the above table, the P/B Ratio of the Comparable Companies ranged from 0.10 to 14.97, with an average of 3.08 and a median of 0.76. Although the implied P/B Ratio of the Company of 1.65 is lower than the average of the P/B Ratio of the Comparable Companies, it is within the range and higher than the median of the P/B Ratio of the Comparable Companies.

Based on our analysis of historical share price performance, trading volume of the Shares and comparable analysis above, after considering that (i) as illustrated in Chart 1 under the paragraph headed “Historical Share price performance” above, the Offer Price represents a premium of approximately 227.59% over the average closing price of Shares during the Pre-Announcement Period; (ii) the Offer Price also represents a premium of approximately 69.64% and 65.22% over the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.224 as at 31 December 2024 and the unaudited net asset value per Share of approximately HK\$0.23 as at 30 June 2025 respectively; (iii) as discussed under the paragraph headed “Trading volume of the Shares” above, the low liquidity of the Shares in the Pre-Announcement Period might cause difficulty for the Offer Shareholders to dispose of their Shares in the market; and (iv) the implied P/B Ratio of the Company is within the range and higher than the median of the P/B Ratio of the Comparable Companies, we consider that the Offer Price is fair and reasonable, and the Offer provides an opportunity for the Offer Shareholders who would like to realise their investments in the Shares at the Offer Price, especially for those holding a large block of the Shares, as the closing price of the Shares in the Post-Announcement Period may not be sustainable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, in particular, that:

- (i) although the net loss of the Group has been reducing, the Group was still loss-making for FY2022, FY2023 and FY2024 and has not declared and distributed any dividend in the last three financial years;
- (ii) no detailed business plan on the implementation of the Offeror’s intention for the future development of the Group has been provided and the performance of the proposed investments has yet to be proven as at the Latest Practicable Date;

- (iii) despite the recovery of HSI in the second quarter of 2025, the outlook and prospect of the Group remains uncertain given that the global financial market is still challenging under the uncertainty of the U.S. trade policies;
- (iv) the execution of the business strategy proposed by the Offeror is uncertain as the new executive Directors to be nominated by the Offeror have not yet been identified and their background were unknown as at Latest Practicable Date;
- (v) the Offer Price is well above the closing price of Shares and the trading volume of the Share is thin during the Pre-Announcement Period;
- (vi) despite the fact that the Share price has been trading over the Offer Price during Post-Announcement Period, it is uncertain if the Share price will or will not sustain and will or will not be higher than the Offer Price during and after the Offer Period given that our review of the Post-Announcement Period includes 22 trading days only and is shorter than our review of the Pre-Announcement Period of approximately one year and the Offer Shareholders may encounter difficulties to execute on-market disposals without adversely affecting the price of the Shares after the close of the Offer, if they consider to retain their Shares under the Offer, as discussed in our analysis in the paragraph headed “Historical Share price performance” and “Trading volume of the Shares” above;
- (vii) the Offer Price is at a premium over the audited consolidated net assets attributable to owners of the Company per Share as at 31 December 2024 and the unaudited net asset value per Share as at 30 June 2025; and
- (viii) the implied P/B Ratio of the Company is lower than the average but within the range and is higher than the median of the P/B Ratio of the Comparable Companies,

we are of the view that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Company and the Offer Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Offer Shareholders to accept the Offer (subject to the following warning statements). The Offer Shareholders should read carefully the procedures for acceptance of the Offer as detailed in the Composite Document, the appendices to the Composite Document and the Form of Acceptance, if they wish to accept the Offer.

Nonetheless, we note that the Shares have been trading substantively above the Offer Price since the date of the Joint Announcement up to the Latest Practicable Date. The Offer Shareholders should, having regard to their own circumstances, in particular their purchase cost of the Shares, consider selling their Shares in the open market instead of accepting the Offer in the event that the net sale proceeds, net of all transaction costs, exceed the amount receivable under the Offer. However, the Offer Shareholders who wish to realise their investments in the Company in the open market are reminded to monitor the trading price and liquidity of the Shares during the Offer Period given the volatility of the market conditions.

We would like to remind the Offer Shareholders that, if they consider retaining their Shares under the Offer, they should (i) carefully consider the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer due to the historical low liquidity of the Shares; and (ii) closely monitor the development of the Group and any announcements of the Company regarding the Offeror's business and investment plan during and after the Offer Period.

As different Offer Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Offer Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer or disposing any of their Shares in the open market.

Yours faithfully,

For and on behalf of

INCUBORPORATE FINANCE LIMITED



Gina Leung
Managing Director



Psyche So
Associate Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Ms. Psyche So is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over seven years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.