Grande Capital Limited
均富融資有限公司

Room 2701, 27/F., Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty,
Hong Kong

12 September 2025

To: The Independent Board Committee

Dear Sirs,

(1) MANDATORY CONDITIONAL CASH OFFER BY SDICS INTERNATIONAL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF MR. LUO YEFEI FOR ALL THE H SHARES IN SHANSHAN BRAND MANAGEMENT CO., LTD. (OTHER THAN THOSE H SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY MR. LUO YEFEI AND PARTIES ACTING IN CONCERT WITH HIM); AND (2) MANDATORY CONDITIONAL CASH OFFER BY MR. LUO YEFEI FOR ALL THE DOMESTIC SHARES IN SHANSHAN BRAND MANAGEMENT CO., LTD. (OTHER THAN THOSE DOMESTIC SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY MR. LUO YEFEI AND PARTIES ACTING IN CONCERT WITH HIM)

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee of Shanshan Brand Management Co., Ltd.,* (the "**Company**") in relation to (i) the mandatory conditional cash offer by SDICSI Securities for and on behalf of the Offeror for all the H shares in the Company (the "**H Share Offer**"); and (ii) the mandatory conditional cash offer by the Offeror for all the domestic shares in the Company (the "**Domestic Share Offer**") (the H Share Offer and the Domestic Share Offer, collectively, the "**Offers**"). Details of the Offers are set out in the composite document dated 12 September 2025 (the "**Composite Document**") jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

With reference to the Joint Announcement, the Board was informed by the Offeror that on 30 June 2025 (after trading hours), the Offeror entered into the Equity Transfer Agreements with the Sellers, pursuant to which the Offeror agreed to acquire and the Sellers agreed to sell an aggregate of 46.50% of the share capital of Ningbo Liankangcai, at an aggregate consideration of RMB1,116,558.00. Completion took place on the date of the Equity Transfer Agreements, being 30 June 2025.

Immediately before Completion, the Offeror was interested in 28,009,000 Domestic Shares (representing approximately 21.00% of the total issued Shares), comprising (i) 14,674,000 Domestic Shares (representing 11.00% of the total issued Shares) directly owned by the Offeror; and (ii) 13,335,000 Domestic Shares (representing approximately 10.00% of the total issued Shares) beneficially owned by Shaanxi Maoye, a company ultimately and beneficially owned as to 80.00% by the Offeror and 20.00% by Ms. Zhou YM, the spouse of the Offeror and an executive Director. Apart from the 28,009,000 Domestic Shares, prior to Completion, the Offeror was also interested in 18.60% of the share capital of Ningbo Liankangcai which held 24,012,000 Domestic Shares (representing 18.00% of the total issued Shares).

Immediately following Completion and at the date of the Joint Announcement, the Offeror held 65.10% of the share capital of Ningbo Liankangcai and therefore deemed to be interested in the 24,012,000 Domestic Shares (representing 18.00% of the total issued Shares) held by Ningbo Liankangcai and hence, Ningbo Liankangcai is regarded to be acting in concert with the Offeror under class (8) presumption of the definition of “acting in concert” under the Takeovers Code. As a result of the foregoing, the Offeror, Shaanxi Maoye and Ningbo Liankangcai owned an aggregate of 52,021,000 Domestic Shares, representing approximately 39.00% of the total issued Shares as at the date of the Joint Announcement. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make mandatory conditional general offers in cash for all the issued Domestic Shares and H Shares other than those already owned or agreed to be acquired by the Concert Group in accordance with the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising the non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. WANG Mingming (王明明先生) as non-executive Director, and all of the independent non-executive Directors, namely Mr. CHOW Ching Ning (周政寧先生), Mr. WANG Yashan (王亞山先生) and Mr. WU Xuekai (武學凱先生), has been established by the Company, to advise the Independent Shareholders in relation to the Offers, in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code.

As Mr. MAO Weiyong (毛偉勇先生), a non-executive Director, holds 50% equity interests in Ningbo Eggshell, a member of the Concert Group, and is considered to have material interests in the Offers, he will not form part of the Independent Board Committee.

We, Grande Capital Limited, have been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Offers, and in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

OUR INDEPENDENCE

We are not associated or connected with the Company, the Offeror, their respective controlling shareholders or any party acting in concert with any of them. During the past two years, save for our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, we had no prior engagement with the Company or the Offeror. We are not in the same group as the financial or other professional advisers (including stockbrokers) to the Offeror and the Company. Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the terms of the Offers are not conditional upon the outcome of the Offers; (ii) no arrangement exists whereby we shall receive any fees or benefits (other than our said remuneration) from the Company or the Offeror, their respective controlling shareholders or any party acting in concert with any of them; and (iii) our engagement is on normal commercial terms, we are considered to be independent and can act as the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

BASIS OF OUR OPINIONS

In formulating our opinion, we have reviewed, among other things, (i) the Joint Announcement; (ii) the Composite Document; (iii) the annual reports of the Company for the years ended 31 December 2023 (the "**2023AR**") and 31 December 2024 (the "**2024AR**"); (iv) Interim Results Announcement; and (v) relevant public information.

We have relied on the statements, information, opinions and representations contained or referred to in the Joint Announcement, the Composite Document and/or information provided to us by the Company, the Directors and the management of the Company (collectively, the "**Management**") and the Offeror (where applicable). We assume that all statements, information, opinions and representations contained or referred to in the Joint Announcement, the Composite Document and/or information provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Composite Document were true at the time they were made and at the Latest Practicable Date. 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. The Company will notify the Shareholders of any material change to the information contained or referred to in the Composite Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as possible when there is any material change to the information contained or referred to herein as well as changes to our opinions, if any, after the Latest Practicable Date and throughout the Offer Period.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in this Composite Document and to provide a reasonable basis for our advice. We have no reason to believe that any statement, information, opinion or representation relied on by us in forming our opinions is untrue, inaccurate or misleading, nor are we aware of any material fact whose omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we carried out any independent verification of the information supplied to us.

As set out in the responsibility statement in Appendix IV of the Composite Document, all the Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than that relating to the Concert Group (excluding the Group)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror in the capacity as the offeror of the Offers) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained herein misleading.

As set out in the responsibility statement in Appendix V of the Composite Document, the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information of the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror in his capacity as an executive Director as such) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements contained herein misleading.

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

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of matters relating to the Offers, and, except for its inclusion in this Composite Document, and for publication on the websites of the SFC (www.sfc.hk), the Stock Exchange (www.hkexnews.hk) and the Company website as required under the Takeovers Code and the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL TERMS OF THE OFFERS

The Offeror is making the Domestic Share Offer, and SDICSI Securities, on behalf of the Offeror, is making the H Share Offer in compliance with the Takeovers Code on the following basis:

For each Domestic Share . . . . RMB0.1000 in cash

For each H Share . . . . HK$0.1097 in cash

The Domestic Share Offer Price of RMB0.1000 per Domestic Share was determined with reference to (i) the consideration for the share capital of Ningbo Liankangcai under the Equity Transfer Agreements which was arrived at after arm's length negotiations between the Offeror and the Sellers; and (ii) the 24,012,000 Domestic Shares held by Ningbo Liankangcai. Save for the 24,012,000 Domestic Shares held by Ningbo Liankangcai, it has no other material assets. The Domestic Share Offer Price was calculated by firstly dividing the entire consideration of RMB1,116,558.00 paid under the Equity Transfer Agreements by 46.50% (being the aggregate acquired share capital of Ningbo Liankangcai by the Offeror under the Equity Transfer Agreements) and followed by dividing by the number of 24,012,000 Domestic Shares held by Ningbo Liankangcai.

The H Share Offer Price of HK$0.1097 per H Share is equivalent to RMB0.1000, being the Domestic Share Offer Price and converted into Hong Kong dollars, based on the median exchange rate of RMB0.91195 to HK$1.00 quoted by The People's Bank of China on 30 June 2025, being the date of the Joint Announcement.

With reference to the Letter from the Board, as at the Latest Practicable Date, the Company has 133,400,000 Shares in issue comprising (i) 100,000,000 Domestic Shares; and (ii) 33,400,000 H Shares. The Company has no outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at the date of this joint announcement. Based on the issued share capital of the Company as at the Latest Practicable Date, there are 47,979,000 Domestic Shares and 33,400,000 H Shares subject to the Domestic Share Offer and the H Share Offer, respectively.

The Offers are only conditional upon valid acceptances of the Offers being received (and not, where permitted, withdrawn) by 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 Shares already owned by the Concert Group and acquired before or during the Offer Period, will result in the Concert Group holding in aggregate more than 50% of the voting rights of the Company.

The Offeror will not increase the Offer Price as set out above. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

The Offers will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offers shall be fully paid and free from all Encumbrances and together with all rights now and thereafter becoming attached thereto, including but not limited to receive all dividend and other distribution and return of capital, if any which may be declared, made or paid or agreed to be made or paid by reference to a record date on or after the date on which the Offers are made, being the date of this Composite Document.

If, after the date of this Composite Document, any dividend, other distribution and/or other return of capital (whether in cash or in kind) is announced, declared, made or paid in respect of the Shares, the Offeror reserves the right to reduce the Offer Price by all or any part of the amount or value of such dividend, other distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Joint Announcement, Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. The Directors confirm that as at the Latest Practicable Date, (i) the Company has not declared any dividend which remains unpaid, (ii) the Company does not intend to declare any dividend the record date of which will fall on or after the date of the Composite Document, and (iii) the Company does not intend to make, declare or pay any future dividend or make other distributions until the closing of the Offers.

Further details of the Offers are set out in Appendix I to the Composite Document and the accompanying Forms of Acceptance.

Independent Shareholders should read the relevant sections in the Composite Document in full. The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offers or the fulfilment of such condition in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Offers unconditional as to acceptances is 7:00 p.m. on the 60th day after the despatch of the Composite Document (or such later date to which the Executive may consent).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Information and prospects of the Company

1.1 Background of the Company

The Company is a joint stock limited company established in the PRC, the H Shares of which are listed on the Stock Exchange. The business of the Company primarily involves the design, marketing and sale of formal and casual business menswear in the PRC under two brands, namely FIRS and SHANSHAN.

1.2 Financial information of the Company

Financial performance of the Company

Set out below is a summary of the consolidated financial information of the Company for the years ended 31 December 2022 ("**FY2022**"), 31 December 2023 ("**FY2023**"), 31 December 2024 ("**FY2024**") and the six months ended 30 June 2025 ("**6M2025**") and 30 June 2024 ("**6M2024**")as extracted from the Interim Results Announcement, 2024AR and 2023AR:

	For the year ended 31 December			Six months ended 30 June	
	2024	**2023**	**2022**	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	1,006,620	1,060,046	881,200	425,213	475,669
Cost of sales	(627,422)	(662,807)	(495,307)	(246,146)	(279,439)
Gross profit	379,198	397,239	385,893	179,067	196,230
Other revenue	1,062	1,584	838	322	1,575
Other gains and losses, net	(3,100)	3,807	1,349	1,134	(1,574)
Selling and distribution expenses	(281,842)	(308,249)	(327,078)	(147,597)	(151,654)
Administrative expenses	(41,920)	(40,394)	(36,820)	(18,719)	(21,770)
Impairment loss on property, plant and equipment	(766)	(288)	(333)	–	–
Impairment loss on right-of-use assets	(1,863)	(1,455)	(2,080)	–	–
(Impairment loss)/reversal on trade receivables, net	(852)	(1,071)	(2,423)	3,437	49
(Impairment loss)/reversal on deposits and other receivables, net	(327)	(823)	1,222	70	66
Write-off of prepayment	–	(472)	(1,708)	–	–
Finance costs	(5,634)	(6,549)	(7,796)	(2,266)	(3,544)
Share of result of an associate	548	(2,628)	6	264	247
Share of result of a joint venture	(21)	(97)	(116)	–	(21)
Profit before income tax	**44,483**	**40,604**	**10,953**	**15,712**	**19,603**
Income tax (expense)/credit	(11,312)	(8,998)	5,053	(3,644)	(6,393)
Profit and total comprehensive income for the year attributable to owners of the Company	**33,171**	**31,605**	**16,006**	**12,068**	**13,210**

The Group generated revenue primarily from sales of apparel to distributors, direct sales, franchisee sales, sales of work uniform and trademark sub-licensing income, etc. For FY2024, FY2023, FY2022, 6M2025 and 6M2024, the Group's revenue was generated mainly in the PRC under the brands FIRS and SHANSHAN.

6M2025 compared with 6M2024

For 6M2025, total revenue of the Group slightly decreased by approximately 10.6% to RMB425.2 million from RMB475.7 million for 6M2024, primarily attributable to the Group's (i) adherence to its strategy of focusing on core markets and closing inefficient non-core market areas, resulting in a decrease in sales to distributors and franchisees, and (ii) optimization of its live streaming stores and private domain business through managing the living streaming production and promotional related costs. Also, the Group's other revenue decreased by approximately 81.3% to RMB0.3 million for 6M2025 from RMB1.6 million for 6M2024, which was mainly attributable to the Group's (i) decrease in sales of raw materials and (ii) interest income from high-interest bank deposits in 6M2024.

For 6M2025, the Group's selling and distribution expenses decreased by approximately 2.7% to RMB147.6 million from RMB151.7 million for 6M2024, which was mainly attributable to the decrease in the share of franchisees resulted from the decrease in revenue from franchisee channels under cooperative arrangements. Also, reversal of impairment loss on trade receivables of approximately RMB3.4 million was recorded for 6M2025 as compared with reversal of impairment loss of approximately RMB0.1 million for 6M2024, mainly due to the Group's recovery of overdue amount of approximately RMB3.5 million from customers of work uniform. As a result, the Group's profit decreased by approximately 8.3% from approximately RMB13.2 million for 6M2024 to approximately RMB12.1 million for 6M2025.

FY2024 compared with FY2023

For FY2024, total revenue of the Group slightly decreased by approximately 5.0% to RMB1,006.6 million from approximately RMB1,060.0 million for FY2023, primarily attributable to (i) the Group's channel optimization by discontinuing some of the less profitable or loss making cooperation arrangement channels and adjusting marketing policy by reducing the price to attract more sales volume resulted in an overall decrease in revenue from distributor sales channels of RMB18.6 million; and (ii) the Group continued to improve store quality from customers perspective on their sales experience, which including but not limited to quality of salesperson, shop environment and display and reduce the number of low-efficiency stores, in which for franchaisee stores would be evaluated based on level of profits or losses contribution for the past three years, prime location selections and renovation frequency) and close down by discontinuing franchisee agreements, resulting in a decrease of 28.3% in sales revenue from the SHANSHAN brand franchise cooperative arrangement. For self-operated stores, the closing down decision will be evaluated mainly based on customer traffic and share of profits or losses for the past three years, which for FY2024 also resulted in decrease of approximately 7.23% in sales revenue compared to FY2023.

For FY2024 and FY2023, selling and distribution expenses represented approximately 28.0% and 29.0% of the total revenue, which consisted primarily of (i) store and e-commerce expenses; (ii) staff costs; (iii) advertising and promotional expenses; (iv) renovation costs and depreciation; (v) transportation costs; and (vi) traveling expenses. Due to the operation model of the Company with different channels and the Company have to pay for the rental payments for the self-operated stores, commissions and fees paid to third party e-commerce platform for e-commerce sales and revenue sharing fees paid in respect of sales in the franchisee retail stores, the selling and distribution expenses accounted for a higher proportion comparatively.

For FY2024, the profit recorded by the Group increased to approximately RMB33.2 million from approximately RMB31.6 million for FY2023, which was mainly due to (i) lower selling and distribution expenses decreased by approximately 8.6% to RMB281.8 million from approximately RMB308.2 million for FY2023; and (ii) decreased of finance costs by approximately 13.8% to RMB5.6 million for FY2024 from approximately RMB6.5 million for FY2023 mainly due to the decrease in interest expenses on bank borrowings as a result of decrease in bank interest rates. The decrement in selling and distribution expenses was mainly attributable to (i) the decrease in the share of franchisees resulted from) by discontinuing franchisee agreements of low-efficiency stores; and (ii) optimization through strategically arranging physical and digital spaces to enhance customer experience in the self-operated retail stores to maximize exposure and also analyze the logistics network design to reduce transportation costs, lowering the number of less-experienced sales in self-operated retail stores thus leading to the reduction in staff costs, and reduction in the number of retail stores led to a reduction in store expenses including advertising and promotion expenses and staff costs.

FY2023 compared with FY2022

For FY2023, the total revenue of the Group amounting to RMB1,060.0 million, representing an increase of approximately 20.3% as compared with RMB881.2 million in FY2022, primarily attributable to (i) the increase in revenue from two brands (FIRS and SHANSHAN) on e-commerce platforms by 69.5% from RMB190.4 million for FY2022 to RMB322.8 million for FY2023, with the sales of popular products on the Group's e-commerce platforms with the cooperation with various internet platforms and appropriate marketing strategies; and (ii) the increase in trademark sub-licensing income by RMB41.5 million due to the support from online distributors.

For FY2023, selling and distribution expenses of the Group decreased by approximately 5.8% to RMB308.2 million from RMB327.1 million for FY2022, mainly attributable to (i) the decrease in the share of franchisees resulted from the discontinuing franchisee agreements; and (ii) the adoption of various cost reduction and efficiency enhancement measures by the Group led to the decrease in intermediary service fees as well as renovation and depreciation charges. Whilst, the administrative expenses of the Group increased by approximately 9.8% to RMB40.4 million for FY2023 from RMB36.8 million for FY2022, mainly attributable to the increase in depreciation charged for its fixed assets and legal consulting fees.

Overall, the profit of the Group increased by approximately 97.5% to RMB31.6 million for FY2023 from RMB16.0 million in FY2022, which was mainly due to (i) the increase in revenue and gross profit; and (ii) the decrease in selling and distribution expenses.

Financial position of the Company

Set out below is a summary of the audited consolidated financial positions of the Company extracted from the 2023AR, 2024AR and Interim Results Announcement:

	As at 31 December			**As at 30 June**
	2024	**2023**	**2022**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total non-current assets	**164,165**	**103,037**	**76,832**	**211,694**
Total current assets	**655,386**	**623,352**	**681,745**	**543,971**
Total current liabilities	**525,604**	**450,911**	**551,195**	**441,273**
Total non-current liabilities	**17,670**	**21,703**	**19,877**	**36,719**
Total equity	**276,277**	**253,775**	**227,505**	**277,672**

As at 30 June 2025

As of 30 June 2025, the Company's total non-current assets primarily included property, plant and equipment, right-of-use assets, and deferred tax assets in which property, plant and equipment amounting to around RMB115.0 million represented approximately 54.3% of total non-current assets. The property, plant and equipment increased substantially by approximately 70.4% from approximately RMB67.5 million as of 31 December 2024 to approximately RMB115.0 million as of 30 June 2025, which mainly represented the construction costs increased for a comprehensive building, comprising a product research and development center, a high-end digital intelligent manufacturing plant and a digital intelligent warehouse for its formal and causal business menswear business.

As of 30 June 2025, the Company's total current assets mainly consisted of inventories, trade and bills receivables and cash and bank balances, representing approximately 44.5%, 36.8%, 10.9% of total current assets. As of 30 June 2025, the Company's total liabilities decreased by approximately 12.0% to approximately RMB478.0 million from approximately RMB543.3 million as of 31 December 2024 mainly being the net-off effects from (i) decrease in trade payables by approximately RMB101.5 million from approximately RMB216.1 million as at 31 December 2024 to approximately RMB114.6 million as at 30 June 2025, mainly attributable to settlements of amounts due to suppliers in accordance with the respective credit period and (ii) increase in dividend payables from nil as at 31 December 2024 to approximately RMB10.7 million as at 30 June 2025 due to final dividend in respect of the year ended 31 December 2024, approved and payable during the six months ended 30 June 2025.

The non-current liabilities increased by approximately 107.3% from RMB17.7 million as at 31 December 2024 to RMB36.7 million as at 30 June 2025, mainly attributable to the Group obtained a new long term interest-bearing bank borrowing and was secured by a land use right with carrying amount of RMB40,220,033, which was recognised as right-of-use assets, being guaranteed by a subsidiary of the Company, with variable interest rate at 5-year Loan Prime Rate per annum and thus increased the non-current interest-bearing bank borrowings to approximately RMB23.2 million as at 30 June 2025.

As at 30 June 2025, the Group recorded net assets of approximately RMB277.6 million, which represented an increase of approximately RMB1.3 million from net assets of approximately RMB276.3 million as at 31 December 2024.

As at 31 December 2024

As of 31 December 2024, the Company's total non-current assets primarily included property, plant and equipment, right-of-use assets, and deferred tax assets in which property, plant and equipment amounting to around RMB67.5 million represented approximately 41.1% of total non-current assets. The property, plant and equipment increased by approximately 272.8% from approximately RMB14.6 million as of 31 December 2023 to approximately RMB67.5 million as of 31 December 2024. This increment was mainly due to construction in progress of approximately RMB50.0 million (compared to RMB Nil as of 31 December 2023) represented the construction costs increased for a comprehensive building to be completed in 4^{th} quarter of 2025 based on the construction schedule provided by the Management. The comprehensive building comprising a product research and development center, a high-end digital intelligent manufacturing plant and a digital intelligent warehouse for its formal and causal business menswear business.

As of 31 December 2024, the Company's total current assets mainly consisted of inventories, trade and bills receivables and cash and bank balances, representing approximately 42.5%, 36.6%, 16.2% of total current assets. As of 31 December 2024, the Company's total liabilities increased by approximately 15.0% to approximately RMB543.3 million from approximately RMB472.6 million mainly due to increase in trade payables by approximately RMB51.7 million and bills payable of approximately RMB12.8 million. The bills payables were pledged by a deposit of RMB8,500,000 (As at 31 December 2023: RMB 4,200,305) and were guaranteed by a subsidiary of the Company.

As at 31 December 2023

As of 31 December 2023, the Company's total non-current assets primarily included property, plant and equipment, right-of-use assets, and deferred tax assets in which right-of-use assets amounting to around RMB50.7 million represented approximately 49.2% of total non-current assets. The right-of-use assets increased by approximately 272.8% from approximately RMB13.6 million as of 31 December 2022 to approximately RMB50.7 million as of 31 December 2023. The increment was due to an acquisition of the land use rights of a land located in Wangchun Industrial Park, Haishu District, Ningbo City, Zhejiang Province, the PRC during the year ended 31 December 2023.

As at 31 December 2024, the Group recorded net assets of approximately RMB276.3 million, which represented an increase of approximately RMB22.5 million or 8.9% from net assets of approximately RMB253.8 million as at 31 December 2023.

1.3 Industry Outlook and the Group's prospect

According to latest China Apparel Market Report from Global Data published on 31 January 2024, the overall China's apparel market is projected to grow at a compound annual growth rate ("**CAGR**") of over 9% from 2023 to 2027 in terms of market size, which is driven by increasing disposable incomes, urbanization, and a rising middle class.

From manufacturing point of view, according to the data from the National Bureau of Statistics published on 28 January 2025, the industrial added value of apparel enterprises above designated size* increased by 0.8% year-on-year in 2024, the apparel output of enterprises above designated size* reached 20.46 billion pieces, up by 4.22% year-on-year, 0.19% lower compared with the first three quarters of 2024, but surged by 12.91% compared with the same period of 2023.

According to the data released by the National Bureau of Statistics published on 18 January 2025, China's retail sales of apparel above designated size* totaled RMB1.07 trillion yuan in 2024, seeing a year-on-year increase of 0.1%, 15.3% slower than that of the same period in 2023; online retail sales of wearable goods grew by 1.5% year-on-year, 9.3% slower than that of the same period in 2023.

In terms of these sales statistical figures, the domestic apparel sales market maintained growth in terms of sales value in 2024, supported by factors such as the gradual effect of national policies to promote consumption and the market vitality stimulated by new types of consumption and new modes of business. In 2024, the annual per capita disposable income in China was RMB41,314, a nominal increase of 5.3% over 2023, while the per capita annual consumption expenditure on clothing was only RMB1,521, a mild increase of 2.8 percent, accounting for 5.4% of the per capita consumption expenditure compared to 2023. As the per capita consumption growth rate on clothing is much slower that the disposable income, there is an insufficient willingness to consume regardless of their ability and intensified competition in the domestic market from new players as well as increasing supply from successful international brands, the endogenous impetus of consumption was insufficient, therefore, the growth rate of domestic sales slowed down.

* "Industrial Enterprises above the Designated Size" refers to industrial companies in the PRC whose annual principal business revenue exceeds a specific threshold, which is RMB20 million. This classification is used by China's National Bureau of Statistics to track economic data, such as total profits, value added, and costs, providing a consistent measure of larger industrial activity over time.

* "China's retail sales of apparel above designated size" refers to retail enterprises above the designated size had to have an annual main business income of RMB 5 million or more in 2023.

The manufacturing data represented the supply and the sales statistical data represented the demand, which both data from the National Bureau of Statistics demonstrated a continued mild year-on-year increase in 2024 but the actual growth was much slower than 2023.

In particular, the domestic apparel market, which the Group is operated, has been undergoing intensified competition brought by the tariff adjustments announced by the U.S. since 2024. This has prompted other China manufacturers to explore alternative markets and adjust their export strategies by shifting a higher proportion of their sales efforts to local market than export, which in turn intensified the competition within the domestic apparel industry.

In response to the insufficient willingness to consume among the domestic market, the General Office of the State Council of the People's Republic of China and General Office of the State Council jointly issued the "Special Action Plan to Boost Consumption"《提振消費專項行動方案》on 16 March 2025 to boost market vitality. According to data from the National Bureau of Statistics, in the sales of goods above the quota《限額以上單位商品銷售額》* for July 2025 (https://www.stats.gov.cn/sj/zxfb/202501/t20250117_1958327.html), the apparel, footwear, hats and knitwear category recorded a steady growth of 2.9% compared to same period in 2024.

According to the 2024 Sustainable Consumption Report by consultancy SynTao Co and Shanghai-based Jiemian News on 18 December 2024, over 87 percent of the respondents in China had engaged in low-carbon consumption and almost a quarter of consumers are willing to buy sustainable sports and outdoor equipment, clothing, shoes and bags. Notably, there is a significant shift towards sustainability, with consumers showing a preference for eco-friendly and ethically produced fashion items. So going forward in 2025, China's apparel industry may adhere to the new positioning of the "sci-tech, fashion, green, healthy" industry, continue to optimize the industrial structure and accelerate the cultivation of new productivity and high-quality development, which was in line with the Group's new project in building a comprehensive building for its product research and development of sustainable products in the near future.

* sales of goods above the quota《限額以上單位商品銷售額》refers to an enterprise's annual total sales volume exceeding the limit standards of RMB 5 million for retail industry as stipulated by the PRC government, which is one of the important indicators reflecting domestic consumption in the PRC.

According to the 2024AR and Interim Results Announcement, for the year ended 31 December 2024 and for the six months ended 30 June 2025, the revenue contributed by trading of garments was approximately RMB902.2 million and RMB374.5 million, accounted for approximately 89.6% and 88.1% of total revenue for the respective year/period, respectively and the in terms of geographical location, all of the Company's revenue for FY2023, FY2024 and 6M2025 were generated in the PRC. We noted from the 2024AR, the Management considered, and we concurred, that the China's apparel industry expected to be challenging based on the slow recovery from COVID pandemic and intense competition brought by the global conflicts and tariff war. However, part of the negative effects could be mitigated based on "Special Action Plan to Boost Consumption" as mentioned above, among which insist to improve the mechanism to promote local consumption by implementing series of policies to boost clothing consumption and demand in less developed areas and further promoting national branded and China-Chic styled clothing, which the Group may be benefited from being a local branded manufacturer. Also, along with the supportive government policies such as the national inventory policies《存量政策》and incremental policies《增量政策》as implemented since September 2024, which aimed at strengthening the existing economy and stabilizing the market, it is projected the domestic and foreign market demand will gradually recover.

We have further discussed with the Management and understand that the Group has optimized its corporate development strategy with core idea of "high-quality development", deployed and launched its operating activities around the word "high-quality", and continued to focus on the "demand-led" principle and adopted multiple proactive strategic measures such as (i) cooperated with the China Fashion Designers Association (中國服裝設計師協會) to launch a series of major events, including the China Suits Trend Show with the theme of "Kick-off" ("啟序") , "The Revival of Domestic Brands, the Reemergence of Glory – China Suit Industry Development Forum" ("國牌煥新榮耀再現－中國西服產業發展論壇") and the launch ceremony of "2025 White Paper on the China Suit Trends"（《 2025中國西服流行趨勢白皮書》）and other important activities, which focused and highlighted Shanshan's core development strategies on the category of suits and enhanced our marketing strategy; (ii) officially signed Mr. Hu Bing (胡兵先生), a famous actor and model, as the new spokesman of China Shanshan brand during the year 2024 to align with its demand-led strategy and cultivating the brand image; and (iii) continued the construction of the industrial park project which aims to establish a benchmark industrial park integrating research and development of apparels, design center, new retail live base, multi-brand incubation, intelligent manufacturing and intelligent warehousing characterized by ecological energy-saving, low-carbon environmental protection and technological intelligence. All these strategies measures were in place to cope with market uncertainties and seize the opportunities arising from the rise of national products in the near future.

In addition, we note that the consumer price index ("**CPI**") in China for July 2025 remained the same level for year on year comparison in the industrial sector from National Bureau of Statistics of China (https://www.stats.gov.cn/english/PressRelease/202508/t20250815_1960785.html). Specifically, clothing component of the CPI recorded a mild year-on-year increase of 1.7% from January to July 2025 and 0.4% for FY2024 compared to FY2023, which indicates that the general economy is unchanged while clothing sector is undergoing inflation, which is likely that the costs of production will increase and lower the profit margins for industry practitioners.

The revenue of the Company decreased by approximately 5.0% for FY2024 compared to FY2023 and further decreased by approximately 10.6% for 6M2025 compared to 6M2024. The Management reckoned that this was mainly because of the continuous optimization of the terminal channel layout, resulting in the number of retail terminal stores of the Group being adjusted from 709 as at 31 December 2023 to 662 as at 31 December 2024, including 441 for FIRS and 221 for SHANSHAN as at 31 December 2024, representing a year-on-year decrease in the number of retail stores of approximately 6.6%. The number of retail terminal stores of the Group went further down to 588 as at 30 June 2025, with 403 for FIRS and 185 for SHANSHAN, representing a decrement in the number of retail stores of approximately 10.6%. Despite the closing of inefficient franchisee and self operated stores, the strategies measures mentioned above will still be in place to cope with market uncertainties and seize the opportunities arising from the rise of national products in the near future.

Going forward, the Group will continue to expand its business through diversification, multi-partnership and multi-channel operation mode by revolving around its two core national brands, FIRS and SHANSHAN and create value for the shareholders of Group.

Having considered the above factors (i) continued mild growth of manufacturing output and domestic apparel sales market in 2024 but the competition within the domestic apparel industry might be intensified by some China manufacturers; (ii) the Group's strategies in capturing new China's apparel industry trend of sustainability and China-Chic styled clothing by building a comprehensive building for its product research and development center in the near future; (iii) clothing component of the CPI recorded a mild year-on-year increment, which indicates the clothing sector is undergoing inflation and the cost of production will be increased and profit margins will be lower if the price unchanged; (iv) the supportive government policies implemented to promote local consumption. On balanced, we are of the view that there is opportunities for growth of the Group while challenging times may be ahead due to intensified competition within the apparel industry and domestic apparel market growth remained weak, which may affect the prospects and outlook of the Group.

2. Information on and intentions of the Offeror

To provide the Independent Shareholders with basic information on the background of the Offeror, set out below is key information on the Offeror as extracted from the "Letter from SDICSI Corporate Finance" of the Composite Document.

The Offeror (Mr. Luo), aged 50, was appointed as an executive Director on 18 May 2016 and the chairman of the Board on 26 June 2020. Mr. Luo is also the general manager and responsible for the overall development planning and business operations of the Group. He is also (i) a director of Ningbo Shanshan Fashion Brand Management Co., Ltd* (寧波杉杉時尚服裝品牌管理有限公司), and (ii) the manager of Ningbo Shanshan Hanfu Culture Co., Ltd.* (寧波杉杉漢服文化有限公司), both are direct wholly-owned subsidiaries of the Company.

He has over 20 years of experience in the apparel industry. Mr. Luo joined the Group on 1 June 2013 as the general manager of Ningbo Shanshan Garment Brand Management Co., Ltd* (寧波杉杉服裝品牌經營有限公司), the predecessor of the Company. Prior to joining the Company, Mr. Luo was the general manager and the controlling shareholder of Shaanxi Maoye, a substantial shareholder of the Company, a company primarily engaged in the production and sales of garments, where he was responsible for production and operation management from September 2009 to June 2013.

Mr. Luo is the husband of Ms. Zhou YM, an executive Director.

(a) Offeror's intentions regarding the Company

Due to the illiquid nature of the shares of Ningbo Liankangcai, the Sellers are of the view that they face significant difficulty in finding buyers for their interests in Ningbo Liankangcai and the absence of a ready market makes it difficult for shareholders to have an opportunity to exit their investment at an attractive valuation. The Sellers considered that the Acquisition as a good opportunity to realize their investment at an acceptable price. The Offeror also considered that the Acquisition provided a good opportunity to obtain control over Ningbo Liankangcai. The Sellers and the Offeror entered into the Equity Transfer Agreements on 30 June 2025. Completion took place on the same date.

Immediately following Completion and as at the Latest Practicable Date, the Offeror, Shaanxi Maoye and Ningbo Liankangcai owned an aggregate of 52,021,000 Domestic Shares, representing approximately 39.00% of the total issued Shares as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make mandatory conditional general offers in cash for all the issued Domestic Shares and H Shares other than those already owned or agreed to be acquired by the Concert Group in accordance with the Takeovers Code.

It is the intention of the Offeror to continue with the Group's existing principal activities following the closing of the Offers and to work closely with the Company management team to drive both customer and shareholder value.

As at the Latest Practicable Date, the Offeror has no intention or has not entered into any memorandum, agreement, arrangement, negotiation or undertaking (formal or informal; express or implied) to downsize or dispose of any of the Company's existing business and/or acquire any new businesses.

As at the Latest Practicable Date, the Offeror does not have any plans to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business) and does not expect there to be significant redeployment of the fixed assets of the Group. The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalization, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the completion of the Offers with a view to optimising the Group's activities and development, and may make such changes as the Offeror deems necessary, appropriate or beneficial for the Group following its strategic review and/or taking into account any future developments.

Set out below are the intentions of the Offeror in respect of the Company as extracted from the "Letter from SDICSI Corporate Finance" in the Composite Document (for details, please refer to the section headed "4. The intention of the Offeror on the Group" of the "Letter from the SDICSI Corporate Finance"):

(b) Maintaining the listing status of the Company

If, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the total issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that:

(1) a false market exists or may exist in the trading of the H Shares; or

(2) that there are insufficient H Shares in public hands to maintain an orderly market;

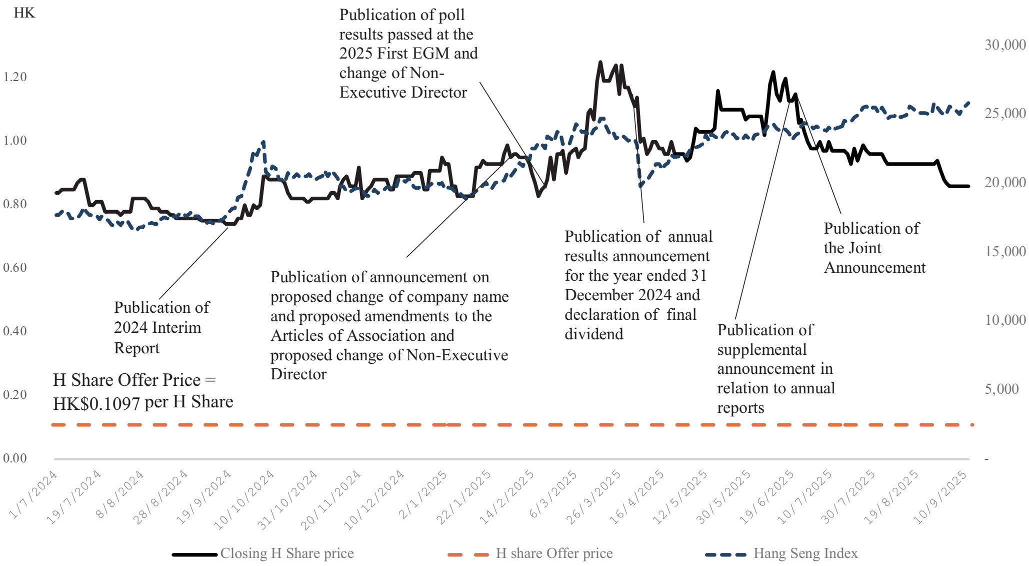
then the Stock Exchange will consider exercising its discretion to suspend dealings in the H Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the closing of the Offers. The Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

3. Analysis on the Offer Price

3.1 Analysis of historical price performance of the H Shares

Set out below is the movement of the closing prices of the H Shares as quoted on the Stock Exchange during the period from 1 July 2024 (being the 12-month period immediately prior to the Last Trading Day dated 30 June 2025) and up to and including the Latest Practicable Date (collectively, the "**Review Period**"). We consider that a period of 12 months is reasonable and sufficient for the purpose of our analysis having considered the significant and rapid changes in the financial markets in general over the past year. We consider that given such significant and rapid changes in the financial markets, historical price performance of H Shares prior to the Review Period may not be able to provide meaningful reference to the Independent Shareholders.



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

During the Review Period up to the Latest Practicable Date, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK$1.25 per H Share recorded on 18 March 2025 and HK$0.74 per H Share recorded on 17 September 2024, 19 September 2024, 20 September 2024 and 23 September 2024 respectively.

We note that the closing price of the H Shares was on an increasing trend from July 2024 until 31 March 2025. We have discussed with the Management of the Company regarding the aforesaid upward trend and were advised that, save for the events stated in the graph showing movement of the closing prices above, they are not aware of any particular reason that led to the increasing trend of the closing prices of the H Shares from July 2024 until 31 March 2025. On the other hand, we further note that the Hang Seng Index, the benchmark of the Hong Kong stock market, was facing a similar increasing trend over the Review Period as demonstrated in the above graph and we considered that such increase in the H Share price of the Company over the Review Period might be attributable to the positive market sentiment in the recent Hong Kong stock market.

After 1 April 2025 up to the Latest Practicable Date, we noted there were a few surges and fluctuations in the closing price of the H Shares with lowest at HK$0.87 per H Share recorded on 29 August 2025. The reasons for these surges remain unclear, aside from possible market reactions to announcements by the Company during that time. We have discussed with the Management of the Company regarding the aforesaid surges in the closing price of the H Shares and were advised that, save for the publication of the 2024AR, supplemental announcement in relation to annual report, the Joint Announcement and the Interim Results Announcement, they are not aware of any particular reason that led to the surge in the closing prices of the H Shares.

We further note that the H Shares have consistently traded at a price substantially above the H Share Offer Price of HK$0.1097 per H Share during the Review Period.

Having considered that (i) the H Share Offer Price represents (a) a discount of approximately 88.69% to the closing price of HK$0.97 on the Latest Practicable Date; and (b) a discount of approximately 88.08% to the average closing price of approximately HK$0.92 during the Review Period; and (ii) the H Shares have consistently traded at a price substantially higher than the H Share Offer Price during the Review Period, we consider that the H Share Offer Price is not fair or reasonable in such context.

Shareholders should note that the information set out above is not an indicator of the future performance of the H Shares and that the price of the H Shares may increase or decrease after the Latest Practicable Date.

Independent Shareholders, especially those holding significant stakes, should note that if they wish to realise their investments in the Company, they might not be able to dispose of the H Shares in the market without exerting a downward pressure on the market price of the H Shares taking into account the thin liquidity of the H Shares as analysed below.

3.2 *Trading liquidity analysis*

Set out below is the table illustrating the daily trading volume of the H Shares quoted and the percentages of the relevant average daily trading volume to the total number of H Shares in issue during the Review Period:

Month	**Number of trading days** *(Days)*	**Total trading volume of the H shares** *(Number of Shares)*	**Average daily trading volume of the H Shares** *(Number of Shares)*	**Percentage of average daily trading volume to total number of the H Shares in issue** *(%)* *(Note 1)*
2024				
July	22	610,000	27,727	0.021%
August	22	556,000	25,273	0.019%
September	19	239,000	12,579	0.009%
October	21	951,000	45,286	0.034%
November	21	868,000	41,333	0.031%
December	20	399,000	19,950	0.015%
2025				
January	19	816,000	42,947	0.032%
February	20	1,403,000	70,150	0.053%
March	21	3,621,000	172,429	0.129%
April	19	1,388,000	73,053	0.055%
May	20	1,752,000	87,600	0.066%
June	21	340,300	16,205	0.012%
July	22	3,217,000	146,227	0.110%
August	21	1,596,000	76,000	0.057%
September (up to and including the Latest Practicable Date)	8	563,000	70,375	0.053%
			For the Review Period:	
Max		3,621,000	172,429	0.129%
Min		239,000	12,579	0.009%
Average		1,221,287	61,809	0.046%

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

Note:

1. Percentage of average daily trading volume to the total number of issued H Shares is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

As illustrated in the above table, during the Review Period, the average daily trading volume of the H Shares ranged between 239,000 H Shares and 3,621,000 H Shares, representing approximately 0.009% to 0.129% of the total number of H Shares in issue as at the end of the respective month/period.

We noted that the average trading volume of the H Shares in July 2025 was 3,217,000 H Shares, representing approximately 0.110% of the total number of the H Shares in issue. The average daily trading volume of H Shares during this month was higher than the average daily trading volume of H Shares during the Review Period before the publication of the Joint Announcement. We have discussed with the Management of the Company regarding the increase in trading volume during July 2025 and were advised that, save for the publication of the Joint Announcement, they are not aware of any particular reason that led to the increase in the trading volume of the H Shares.

Upon our review of the "HKEx Monthly Market Highlights" for the period from August 2024 to July 2025 (the "**Relevant Period**") available on the website of the Stock Exchange (https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en), we note that the average daily trading turnover over total market capitalisation of listed securities (including Main Board and GEM listed issuers) (the "**Market Trading Turnover Ratio**") during such period ranged from approximately 0.30% to approximately 0.76% with the average of approximately 0.55%. We consider that the Market Trading Turnover Ratio, as derived from the data in the "HKEx Monthly Market Highlights", is a representative indicator for overall trading volume of the securities listed on the Stock Exchange. Given that the percentage of the average daily trading volume of the H Shares over total number of H Shares in issue during the Review Period is below the Market Trading Turnover Ratio, we consider that the liquidity of the H Shares during the Review Period as a listed issuer of the Stock Exchange was relatively thin compared to Market Trading Turnover Ratio with lowest as 0.30%, as evidenced by the fact that the percentage of average daily trading volume to the total number of issued H Shares during the Review Period has generally been below 0.15%. Given the Shares are illiquid, the disposal of a significant number of H Shares held by the Shareholders in the open market would likely to trigger price slump of the H Shares.

However, given the increase in trading volume in August 2025 and the current market price of the H Shares as at the Latest Practicable Date is substantially higher than the H Share Offer Price (i.e. HK$0.1097 per H Share), the Independent Shareholders who would like to realise part or all of their investments in the H Shares, may, instead of accepting the H Share Offer, consider selling their H Shares in the open market.

3.3 Comparisons of value

The Domestic Share Offer Price of RMB0.1000 per Domestic Share and the H Share Offer Price of HK$0.1097 per H Share represent:

(i) a discount of approximately 87.24% over the closing price of HK$0.860 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 88.81% to the closing price of HK$0.9800 per H Share as quoted on the Stock Exchange on 3 April 2025, being the Last Trading Day;

(iii) a discount of approximately 89.16% to the average closing price of HK$1.0120 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 89.78% to the average closing price of HK$1.0730 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 89.99% to the average closing price of HK$1.0963 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

(vi) a discount of approximately 95.17% to the audited consolidated net asset value of the Company of approximately RMB2.0710 (equivalent to approximately HK$2.2360) per Share (calculated based on (i) the Group's audited consolidated net asset value of RMB276,276,449 as at 31 December 2024 as disclosed in the annual report of the Company published on 22 April 2025; (ii) 133,400,000 Shares in issue as at the Latest Practicable Date; and (iii) the exchange rate of RMB0.92604 to HK$1.00, being the median exchange rate as announced by the People's Bank of China on 31 December 2024)); and

(vii) a discount of approximately 95.20% to the unaudited consolidated net asset value of the Company of approximately RMB2.0815 (equivalent to approximately HK$2.2825) per Share (calculated based on (i) the Group's unaudited consolidated net asset value of RMB277,672,764 as at 30 June 2025 as disclosed in the interim results announcement of the Company published on 26 August 2025; (ii) 133,400,000 Shares in issue as at the Latest Practicable Date; and (iii) the exchange rate of RMB0.91195 to HK$1.00, being the medium exchange rate as announced by the People's Bank of China on 30 June 2025).

In summary, the H Share Offer Price of HK$0.1097 per H Share or the Domestic Share Offer Price of RMB1.000 per Domestic Share represents discount in a range of approximately 88.81% to 89.99% over the closing prices of the H Shares for the last 30 consecutive trading days up to and including the Last Trading Day to the Last Trading Day.

Nonetheless, the Offer Price also represents substantial discounts of approximately 95.17% and 95.12% to the audited consolidated net asset value of the Company as at 31 December 2024 as disclosed in the annual report of the Company published on 22 April 2025 and the unaudited consolidated net asset value of the Company as at 30 June 2025 as disclosed in the interim results announcement of the Company published on 26 August 2025, respectively. Therefore, given the substantial discounts to both closing prices and consolidated net asset values of the Company, we considered it is not fair and not reasonable so far as the Independent Shareholders are concerned. For further details comparable analysis, please refer to the section headed "3.4 Peer Comparison Analysis" below.

3.4 Peer Comparison Analysis

As mentioned earlier, the business of the Company primarily involves the design, marketing and sale of formal and casual business menswear in the PRC under two brands, namely FIRS and SHANSHAN.

We noted that the peer comparison analysis of price-to-earnings ratio (the "**P/E ratio**") analysis and the price-to-book ratio (the "**P/B ratio**") analysis to compare the Offer Prices against the market valuation of other comparable companies. P/E ratio analysis and P/B ratio analysis are commonly adopted valuation method in the valuation of companies.

As stated in the AR2024, approximately 89.6% and 10.4% of the Group's revenue was derived from trading of garments and trademark sub-licensing income for the year ended 31 December 2024, respectively. Therefore, we have selected comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) principally engaged in the manufacturing and trading of garments ("**Garment segment**") and more than 80% of the revenue is derived from Garment segment; (iii) the comparable companies' segment revenue derived from the Garment segment could be identified in their latest published financial report; (iv) was categorised as Consumer Discretionary – Textiles & Clothing – Apparel industry in Hong Kong standard industrial classification and (v) companies with market capitalisation between HK$10 million and HK$120 million, which was determined with reference to the implied market capitalisation of the Company of approximately HK$14.63 million under the Offers and the current market capitalization of the Company as at the Latest Practicable Date of approximately HK$114.7 million, and with a view to capture sufficient number of companies with similar market capitalisation for our comparison purposes, are considered comparable to the Company. Based on the aforesaid selection criteria and to the best of our effort, we identified four comparable companies (the "**Comparables**") and we believe the Comparables selected based on the above selection criteria are exhaustive. Nevertheless, out of these Comparables, there was no joint stock company that is similar to that of the Company as joint stock company will have similar capital base and liquidity of their shares or market capitalisation would be more similar. In view of the similarity of the industry, business nature and market capitalisation between the Comparables and those of the Company, we consider the Comparables are still fair and representative sample for comparison to the Company. We set out our findings in the table below:

Company name (Stock code)	**Principal business**	**Share price** *(Note 1)*	**Market capitalisation** *(Note 2)* *(HK$' million)*	**P/E ratio** *(Note 3)* *(times)*	**P/B ratio** *(Note 4)* *(times)*
Sterling Group Holdings Limited (1825)	Principally engaged in the manufacture and trading of apparel products with operations mainly located in Hong Kong, the PRC and Sri Lanka	0.150	51.84	N/A *(Note 5)*	0.84

Company name (Stock code)	Principal business	Share price *(Note 1)*	Market capitalisation *(Note 2)* *(HK$' million)*	P/E ratio *(Note 3)* *(times)*	P/B ratio *(Note 4)* *(times)*
Moiselle International Holdings Limited (130)	Principally engaged in the design, manufacture, retailing and wholesales of fashion apparel and accessories with operations mainly located in Hong Kong and the PRC	0.133	38.29	N/A *(Note 5)*	0.15
KNT Holdings Limited (1025)	Principally engaged in the manufacturing and trade of clothing products with operations are mainly located in Hong Kong and the PRC	0.285	57.62	N/A *(Note 5)*	0.96
Speedy Global Holdings Limited (540)	Principally engaged in the apparel supply chain servicing business including product design, manufacturing as well as logistics arrangement to customers with operations mainly located in the PRC, Cambodia and Hong Kong	0.167	100.20	6.74	0.76
			Minimum	–	0.15
			Maximum	6.74	0.96
			Average	6.74	0.68
The Company (Stock code: 1749)		0.1097 *(Note 6)*	14.63 *(Note 7)*	0.40 *(Note 8)*	0.05 *(Note 9)*

Source: Information from the website of the Stock Exchange

Notes:

(1) The share price is based on the closing share price as at the Latest Practicable Date.

(2) The market capitalisation is based on the number of issued shares and the closing share price as at the Latest Practicable Date.

(3) The P/E ratio is calculated based on the market capitalisation as at the Latest Practicable Date divided by the net profit attributable to equity holders as extracted from the latest published annual report.

(4) The P/B ratio is calculated based on the market capitalisation as at the Latest Practicable Date divided by the net asset value attributable to equity holders as extracted from the latest published annual report/interim report or interim announcement.

(5) The P/E ratio of these companies are not applicable as it recorded net loss in its latest financial year.

(6) The Offers is HK$0.1097 per H Share and RMB1.0 per Domestic Share.

(7) The implied market capitalisation of the Group is estimated using the H Share Offer Price and the issued share capital of the Group of 133,400,000 Shares as at the Latest Practicable Date.

(8) The implied P/E ratio is calculated using the implied market capitalisation divided by the net profit attributable to owners of the Company of approximately RMB276.28 million for the year ended 31 December 2024 as extracted from the 2024AR.

(9) The implied P/B ratio is calculated using the implied market capitalisation divided by the the Group's unaudited consolidated net asset value of approximately RMB277.6 million as at 30 June 2025 as disclosed in the interim results announcement of the Company published on 26 August 2025 as extracted from the Interim Results Announcement.

We have compared the P/E ratio of the Company as implied by the H Share Offer Price against those of the Comparables. As illustrated in the above table, only one of the Comparables recorded a positive P/E ratio of 6.74, we considered that the P/E analysis is not applicable for this case and the insufficient comparable available is not a meaningful comparative analysis.

Despite that the P/E analysis is not applicable, we have compared the P/B ratio of the Company as implied by the H Share Offer Price against those of the Comparables. As shown on the above table, the P/B ratio of the Comparables ranged from approximately 0.15 times to approximately 0.96 times, with an average of approximately 0.68 times. The implied P/B ratio under the Offers was approximately 0.05 times, which is much lower than the range and average of the Comparables.

Having taken into account that implied P/E analysis is not applicable, the implied P/B ratio is much lower than the range and average of the Comparables, we consider that the Offers reflects a relatively less favourable price when compared to the Comparables in this respect, and hence is not fair and not reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

Although there are uncertainties regarding the future prospect of the Group as discussed under the paragraph "Industry Outlook" above, in reaching our recommendation as regards the Offers, we have taken into account the factors and reasons set out in sections 1.1 to 3.4 above, and in particular the following:

(i) The Offer Price represents (a) a discount of approximately 88.69% to the closing price of HK$0.97 on the Latest Practicable Date; (b) a discount of approximately 88.08% to the average closing price of approximately HK$0.92 during the Review Period and (c) substantial discounts of approximately 95.17% and 95.12% to the audited consolidated net asset value of the Company as at 31 December 2024 as disclosed in the annual report of the Company published on 22 April 2025 and the unaudited consolidated net asset value of the Company as at 30 June 2025 as disclosed in the interim results announcement of the Company published on 26 August 2025, respectively;

(ii) the H Shares have consistently traded at a price substantially higher than the H Share Offer Price during the Review Period; and

(iii) the P/B ratio of the Company as implied by the Offers is substantially lower than the range and average P/B ratio of the Comparables,

we consider that the Offers are not fair and not reasonable so far as the Independent Shareholders are concerned and given the Company's listing status will be maintained, we are of the view that the Independent Shareholders who would like to realise part or all of their investments in the Shares may, instead of accepting the Offers, consider selling their Shares in the open market after the close of the Offers after conducting their own assessments of whether to continue investing in the Shares based on the development of the Group that they are already informed of. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offers.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders 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. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompanying Forms of Acceptance.

Yours faithfully,
for and on behalf of
Grande Capital Limited

Erica Mak
Responsible Officer

Ms. Erica Mak is a Responsible Officer of Grande Capital Limited licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as a sponsor. Ms. Mak has over 13 years of experience in accounting and corporate finance in Hong Kong.