

14 May 2025

*To: The Independent Board Committee and the Independent Shareholders of UBA Investments Limited
Dear Sirs/Madams,*

**MANDATORY CONDITIONAL CASH OFFER BY
UPBEST SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES IN UBA INVESTMENTS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the Composite Document dated 14 May 2025, 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. On 23 April 2025, the Offeror and the Company jointly announced that the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and the Vendor conditionally agreed to sell the Sales Shares, representing approximately 15.10% of the existing issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$5,760,000, representing HK\$0.03 per Sale Share.

The Completion took place on 14 April 2025 and the Consideration has been paid by the Offeror out of its own financial resources provided by its sole shareholder, Mr. Cheng Kai Ming Charles, from his own resources. Immediately prior to Completion, the Offeror and the Offeror Concert Parties are interested in 340,000,000 Shares, representing approximately 26.74% of the existing issued share capital of the Company. Immediately following the Completion, the Offeror and the Offeror Concert Parties are interested in a total of 532,000,000 Shares, representing approximately 41.84% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and the Offeror Concert Parties). Upbest is making the Offer for and on behalf of the Offeror.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tang Hon Bui, Ronald, Mr. Kwok Ming Fai and Ms. Kwok Yuen Lam, Sophia, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code and such appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee as to (i) whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company and the Offeror or any of their respective subsidiaries or their respective associates or any party acting, or presumed to be acting, in concert with any of them and as at the Latest Practicable Date, we did not have shareholding, directly or indirectly, in any of them (if applicable) and any of their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any entities within the Group or the Offeror or any rights, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any entities within the Group and the Offeror. There are no relationships or interest between us and the Company, the Offeror or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer. We are eligible to give independent advice and recommendations on the Offer and as to acceptance thereof. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we will receive any fees from the Offeror and the Company, their subsidiaries, their associates or their respective substantial shareholders or associates.

During the past two years (from 10 May 2023 to the Latest Practicable Date), we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of continuing connected transactions. Details of the relevant transactions are set out in the circular of the Company dated 26 February 2025. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the executive directors (the “**Executive Directors**”) and the management of the Company. Our review procedures include, among others, review of the latest interim report of the Group for the six months ended 30 September 2024 (the “**2024 Interim Report**”), the latest annual report of the Group for the year 31 March 2024 (the “**2024 Annual Report**”), the Composite Document, the relevant announcements published by the Company, the prospect and outlook of the Group, the share price performance, the trading liquidity of the Company and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Executive Directors and the management of the Company are true, complete and accurate in all material respects at the time when they were made and up to the Latest Practicable Date. Should there be any subsequent material changes in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be informed as soon as possible when there is any material change to information contained in or referred to herein as well as any changes to our opinion, if any, after the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Executive Directors in the Composite Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Executive Directors and the management of the Company in the Composite Document were reasonably made after due enquiries and careful consideration. The Executive Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the 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, should consult their own professional adviser.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, 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 FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offer, we have considered the principal factors and reasons as set out below:

1. Information on the Offeror and the Offeror Concert Parties

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 18 May 2023. As at the Latest Practicable Date, the sole director and shareholder of the Offeror is Mr. Cheng Kai Ming Charles. Mr. Cheng Kai Ming Charles has professional qualifications in both accounting and marketing and has been engaged in the investment advisory and securities business for over twenty years. As at the Latest Practicable Date, the Offeror is wholly owned by Mr. Cheng Kai Ming Charles, who is also one of the discretionary objects of a trust which assets include assets in the entire issued share capital of Fung Fai.

The Offeror did not carry on any business save for holding of investment since its incorporation until the entering of the Sale and Purchase Agreement and the transactions in connection therewith.

The reason for the Offeror to make the Acquisition is that Mr. Leong Chi Wai, the sole shareholder of the Vendor, would like to realise his investment in the Company. As such, the Vendor has approached the Offeror and the Offeror has, upon considering that the Acquisition could improve its investment portfolio, agreed to purchase the Sale Shares from the Vendor.

As of the Latest Practicable Date, the Offeror owns 192,000,000 Shares, and together with the Offeror Concert Parties, are holding in aggregate 532,000,000 Shares, representing approximately 41.84% of the total issued share capital of the Company.

Fung Fai is a member of the Offeror Concert Parties. Fung Fai is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the entire issued share capital of Fung Fai is owned by a trust. Mr. Cheng Wai Lun, Andrew (who is an executive Director), Mr. Cheng Kai Ming Charles and their family members are the beneficiaries of the trust which assets include interests in the entire issued share capital of Fung Fai. As at the Latest Practicable Date, Fung Fai owns 340,000,000 Shares, representing approximately 26.74% of the total issued share capital of the Company.

Save as disclosed above, the Offeror and the Offeror Concert Parties have no other relationship with the Vendor or its respective associates as at the Latest Practicable Date. The Offeror is not connected, related or otherwise associated with the Group's suppliers, customers, sub-contractors and joint venture partners. The Offeror has no business relationship or financing arrangement with the Group in the past or at present.

2. Information on the Group

The Company is an investment company listed under Chapter 21 of the Listing Rules and the principal activities of the Company and its subsidiaries are investment in listed securities and unlisted securities in Hong Kong and PRC for their potential earnings growth and capital appreciation.

Set out below is a summary of (i) the unaudited financial information of the Group for the six months ended 30 September 2023 and 30 September 2024 ("HY2023" and "HY2024", respectively) as extracted from the 2024 Interim Report; and (ii) the audited financial information of the Group for the two years ended 31 March 2023 and 31 March 2024 ("FY2023" and "FY2024", respectively) as extracted from the 2024 Annual Report:

Table 1: Historical financial information of the Group

	For the six months ended		For the year ended	
	30 September		31 March	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	4,118	4,580	5,010	4,584
Profit/(Loss) and total comprehensive income/(expenses) for the period/year	5,726	(7,570)	(7,409)	(14,433)
	As at		As at 31 March	
	30 September		2024	2023
	2024		2024	2023
	HK\$'000		HK\$'000	HK\$'000
	(unaudited)		(audited)	(audited)
Cash and cash equivalents		13,264	5,542	4,323
Net assets		88,441	82,715	90,124

(a) HY2024 versus HY2023

For the HY2024, the revenue of the Group decreased from approximately HK\$4.6 million to approximately HK\$4.1 million, representing a decrease of approximately 10.1% as compared with the HY2023. Such decrease in revenue was due to the decrease in dividend income from listed equity investment as the change in investment portfolio and dividend yield from the listed securities. With reference to the 2024 Interim Report, the turn from the net loss to net profit was mainly due to a realised and unrealised gain on financial assets at fair value through profit or loss of approximately HK\$3.5 million for the HY2024 as compared with an unrealised loss of

approximately HK\$10.0 million in last corresponding period. Gross proceeds from disposal of trading securities increased by approximately 13.9 times from approximately HK\$2.3 million to approximately HK\$31.9 million compared with the corresponding period of last year as the Group was resulted from the proactive investment strategy adopted by the management this period and consistence and in line with the increasing securities market turnover (Main Board and GEM listed in Hong Kong) of approximately 21.5% as compared with last corresponding period.

The cash and cash equivalents of the Group increased from approximately HK\$5.5 million as at 31 March 2024 to approximately HK\$13.3 million as at 30 September 2024, representing an increase of approximately 139.3% as compared with the last corresponding period which was considered to be healthy and in good liquidity. Such increase was due to the received dividend income and proceeds from disposal of listed securities during the period. The net assets value increased by approximately 6.9% from approximately HK\$82.7 million as at 31 March 2024 to approximately HK\$88.4 million as at 30 September 2024 which was in line with the increment of approximately 27.8% the Hang Seng Index (the “HSI”) during this period. Gearing ratio had not been presented as there was no debt as at 30 September 2024.

(b) FY2024 versus FY2023

For the FY2024, the revenue of the Group increased from approximately HK\$4.6 million to approximately HK\$5.0 million, representing an increase of approximately 9.3% as compared with the FY2023. With reference to the 2024 Annual Report, the Group recorded a loss of approximately HK\$7.4 million for the FY2024 compared with the loss of approximately HK\$14.4 million for the FY2023, representing a decrease of loss of approximately 48.7%. Such decrease of loss was made up of (i) the turn from the loss of approximately HK\$0.5 million of realised gain in relation to the listed equity investment for the FY2023 to the realised gain of such of approximately HK\$0.1 million for the FY2024; and (ii) the decrease in unrealised loss in relation to the listed equity investment by approximately 50.6% from approximately HK\$11.9 million for the FY2023 to approximately HK\$5.9 million for the FY2024. Gross proceeds from disposal of trading securities significantly decreased by approximately 86.2% from approximately HK\$20.9 million for the FY2023 to approximately HK\$2.9 million for the FY2024 as the Group reduced the investment proportion on trading listed securities under the prevalent uncertainty of the macroeconomic environment which was mainly affected by interest rate hike in the United States (the “U.S.”) during the year. It was also in line with the decreased securities market turnover (Main board and GEM listed in Hong Kong) of approximately 20.2% during the same period.

The cash and cash equivalents of the Group increased from approximately HK\$4.3 million as at 31 March 2023 to approximately HK\$5.5 million as at 31 March 2024, representing an increase of approximately 28.2% as compared with the last corresponding period. The net asset value decreased by approximately 8.2% from approximately HK\$90.1 million as at 31 March 2023 to approximately HK\$82.7 million as at 31 March 2024, in line with the decrement of approximately 19.0% of the HSI during this year. Gearing ratio had not been presented as there was no debt as at 31 March 2024 and 31 March 2023 respectively.

3. Intention of the Offeror and the Offeror Concert Parties in relation to the Company

As stated in the letter from the Offer Agent, the Offeror and the Offeror Concert Parties consider and confirm that (a) it is intended that the Group will continue with the existing business of the Group; and (b) they have no intention to (i) introduce any major changes to the existing business of the Group; or (ii) discontinue the employment of any of the Group's employees; or (iii) re-deploy the fixed assets of the Group other than in its ordinary course of business.

The Offeror will, depending on the business operations and development of the Group in the future, constantly review the employee structure of the Group so as to meet the needs of the Group from time to time. The Offeror has no intention to discontinue the employment of the employees (save for the potential change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

The Offeror has no intention or has not entered into any agreement, arrangement, negotiation or undertaking to downsize or dispose of any of the Company's existing business and/or acquire any new businesses.

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding, or negotiation in relation to the injection of any assets or business into the Group. The Board will co-operate and provide support to the Offeror as regards to the Offeror's intention regarding the Group and will continue to act in the best interests of the Group and the Shareholders as a whole.

4. Prospect and outlook of the Group

The Company is an investment company listed under Chapter 21 of the Listing Rules and the principal activities of the Company and its subsidiaries are investment in listed securities and unlisted securities in Hong Kong and PRC for their potential earnings growth and capital appreciation. The unlisted securities are mainly engaging in business of aquaculture and feed production in PRC.

Pursuant to the 2024 Interim Report, the Company expected the global stock markets to be full of challenges in the coming months, especially the effect from the cut rate policies in the U.S.. Also the concerns about whether the stimulus policies (including reducing the reserve requirement ratio; reducing the policy interest rate in the open market; reducing the interest rate of personal housing provident fund loans; increasing the re-lending quota for technological innovation; setting up re-loan for service consumption and pension; increasing the amount of re-lending to support agriculture and small enterprises; optimizing the monetary policy tools to support the capital market; and creating a risk-sharing tool for science and technology innovation bonds) issued by China can revive economic growth in China and Hong Kong. As such, the Company continued to adopt and maintain a cautious and pragmatic investment approach in order to bring better returns for the Shareholders. We have, accordingly, researched on the information from the public domain with respect to the prospect of the stock market in Hong Kong and PRC and the global economic outlook.

According to the *Hang Seng Indexes 2024 Year-End Market Report* published by the Hang Seng Indexes Company Limited, the Hang Seng Index increased by 17.7% in 2024 after falling by 13.8% in 2023. The Hang Seng Index then fluctuated between the lowest of approximately 14,961 and the highest of approximately 23,100 in 2024.

With reference to the *Half-Yearly Monetary and Financial Stability Report* published by the Hong Kong Monetary Authority in March 2025 with the review period between the end of August 2024 and the end of February 2025, the equity market in Hong Kong rose notably between September and early October 2024, driven by the China's supportive policy measures and the first interest rate cut by the U.S. Federal Reserve in more than four years. Meanwhile, after being on an upward trajectory for most of the review period, the global equity market encountered a notable correction in late February 2025 due to concerns over economic outlook and the impact of U.S.'s trade policies. From the end of August 2024 to the end of February 2025, the Hang Seng Index surged by 27.5%, outperforming the MSCI World Index, which rose moderately by 3.9% during the same period. However, after being on an upward trajectory for most of the review period, the global equity market encountered a notable correction in late February 2025 due to concerns over economic outlook and the impact of U.S.'s trade policies. Developments in the external environment will continue to influence the performance of the local equity market. 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.

Making reference to recent local and international news, U.S. President Donald Trump, after taking office, has imposed different degrees of tariffs on various countries, which has immediately triggered a global stock market crash. Furthermore, the Hang Seng Index slumped 13.2%, the biggest one-day decline since 1997, with shares of tech, solar, banking and online retailers plunging as investors swiftly pulled out of anything linked to global trade. On 7 April 2025, CSI 300 Index dropped by approximately 7% in a single day, reflecting intense investor anxiety and risk aversion amid the imposed tariffs and trade conflict escalation. Over the course of a week in the early April 2025, the U.S. tariffs on Chinese imports have jumped from 54% to 104%, then 125% and even 145% as at the Latest Practicable Date, that could cut China's exports to the U.S. in the coming years based on the forecast made by various global banks. Further details can be found in the article, "Global banks cut China growth forecasts as trade war deepens", published by Reuters on 16 April 2025 (source: <https://www.reuters.com/world/china/global-banks-cut-china-growth-forecasts-trade-war-deepens-2025-04-15/>). Such scale of the tariffs could lead to significant unemployment and bankruptcy across China. Furthermore, U.S. imports into China will also go up in price due to China's tariffs, ultimately hurting consumers in China in a similar way like the impact on consumers in U.S. due to the tariffs imposed by U.S.. Since China and the U.S. together account for a large share of global economy, around 34% of gross domestic product based on purchasing-power-parity share of world total in 2024 according to the International Monetary Fund, the trade war between these two nations would also harm other countries' economies in the form of slower global growth and global investment including the equity market in Hong and Kong and PRC. Other than the significant declines experienced in the equity market of Hong Kong and PRC amid tariff risks have reflected the uncertainties of market performance and the effectiveness of the aforementioned stimulus policies issued by China are difficult to predict the prospect of the stock market in PRC. While policies

support has helped limit deeper declines in PRC stock market, investor sentiment remains fragile, and the outlook is still clouded by persistent trade and economic uncertainty. As mentioned earlier, the Company is an investment company which its principal activities are investment in listed securities and unlisted securities in Hong Kong and PRC. Since the investment portfolio of the Company are changing from time to time, it is meaningful of understanding the outlook of the economy and securities market in Hong Kong and PRC as a whole instead of focusing on any particular securities. Therefore, we are of the view that the securities invested by the Company will be affected since the aforementioned tariffs and geoeconomic fragmentation together with the pressure of on-going confrontation between China and the U.S. will continue to impact on the worldwide economies and the stock markets, in particular making future prospects of Hong Kong and PRC and outlook uncertain which is expected to have impacts on the Group's future prospects.

As noted from the 2024 Annual Report, the Group had loss-making financial results during the past two financial years, recording a loss attributable to owners of the Company of approximately HK\$14.4 million and HK\$7.4 million for FY2023 and FY2024 respectively and the Company has not declared any cash dividend in the past two financial years. Due to nature of the principal business activities, the financial performance of the Group is largely affected by the Hong Kong equity markets and the global economic situations. Despite the Group made a turn from the net loss to net profit in HY2024, the performance of the Group is still hindered by the escalation of China-U.S. trade war and uncertainty of the stock market.

Having considered the challenges associated with the financial performance and prospects of the Group as discussed above, including (i) the fluctuation of the Hang Seng Index; (ii) the trend of the global stock markets; (iii) the impact on the stock market caused by external environment including the tariffs imposed by the U.S.; and (iv) the financial performance of the Group is affected by the equity market performance and global economy, we are of the view that the future business environment is still full of uncertainties for the Group to operate.

5. Principal terms of the Offer

The following information about the Offer is based on the letter from the Offer Agent contained in the Composite Document. The Offer is being made by Upbest on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in the Composite Document and in the accompanying Form(s) of Acceptance on the following basis:

For every Offer Share HK\$0.03 in cash

The Offer Price of HK\$0.03 per Offer Share under the Offer is the same as the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Directors confirm that, as at the Latest Practicable Date, the Company has not declared any dividend that is unpaid and does not intend to declare or pay any dividend or make other distribution on or before the close or lapse of the Offer.

The Offer is extended to all Shareholders (other than those Shares already owned or agreed to be acquired by the Offeror and the Offeror Concert Parties). The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of despatch of the Composite Document or subsequently becoming attached to them, including but not limited to the rights to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of despatch of the Composite Document.

As at the Latest Practicable Date, there were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue other than the Shares.

Conditions to the Offer

The Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and the Offeror Concert Parties before or during the Offer, will result in the Offeror and the Offeror Concert Parties holding more than 50% of the voting rights in the Company.

Further announcement(s) in relation to the revision, extension or lapse of the Offer or the fulfilment of the conditions of the Offer shall be made in accordance with the Takeovers Code and Listing Rules in due course.

(a) Analysis on the Offer Price

The Offer Price of HK\$0.03 per Offer Share represents:

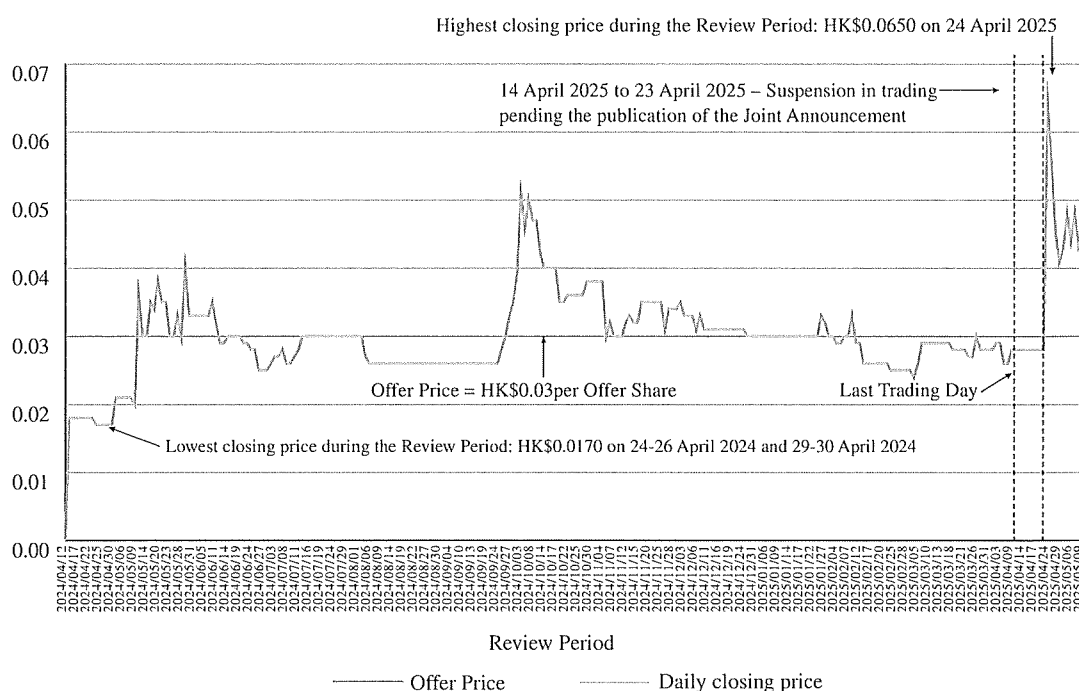
- (i) a discount of approximately 31.82% to the closing price of approximately HK\$0.044 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 7.14% over the closing price of HK\$0.028 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 11.11% over the average closing price of approximately HK\$0.027 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 7.14% over the average closing price of HK\$0.028 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 7.14% over the average closing price of approximately HK\$0.028 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;

- (vi) a discount of approximately 53.85% to the audited consolidated net assets per Share of approximately HK\$0.065 as at 31 March 2024 as extracted from the 2024 Annual Report, which was calculated based on the Group's latest published audited consolidated net assets of approximately HK\$82,715,000 and 1,271,732,200 Shares in issue as at 31 March 2024; and
- (vii) a discount of approximately 57.14% to the unaudited consolidated net assets per Share of approximately HK\$0.070 as at 30 September 2024 as extracted from the 2024 Interim Report, which was calculated based on the Group's latest published unaudited consolidated net assets of approximately HK\$88,441,000 and 1,271,732,200 Shares in issue as at 30 September 2024.

(b) *Historical performance of the Shares*

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 12 April 2024, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”), which we consider to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares, including but not limited to the market reaction to the announcement of the Offer and the Share price movement from the date of the Joint Announcement to the Latest Practicable Date.

Table 2: Share price performance during the Review Period



Source: www.hkex.com.hk

Note:

The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 14 April 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 24 April 2025.

We have reviewed the movements in the closing price of the Shares for the Review Period. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price.

The lowest and highest closing price of the Shares during the Review Period were HK\$0.0170 per Share recorded on 24 April 2024, 25 April 2024, 26 April 2024, 29 April 2024 and 30 April 2024 and HK\$0.0650 per Share recorded on 24 April 2025, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Review Period is approximately HK\$0.0302 per Share. The Offer Price of HK\$0.03 per Share represents (i) a premium of approximately 76.47% over the lowest closing price of HK\$0.0170 per Share; (ii) a discount of approximately 53.85% to the highest closing price of HK\$0.0650 per Share; and (iii) a discount of approximately 0.74% to the average daily closing price of approximately HK\$0.0302 per Share during the Review Period.

There was no notable movement in the Share price except (i) the beginning of the Review Period when reaching to the lowest closing price of the Share mentioned above; and (ii) the middle of the Review Period when demonstrating an upward trend at the closing price of HK\$0.0510 per Share on 3 October 2024. We have observed that the Company has not published any announcement immediately prior to this fluctuation on closing price of the Shares. We have also enquired with the management of the Company for the possible reasons for the price movement during the periods before the publication of the Joint Announcement and were advised that the Company was not aware of any other reasons for this unusual price movement.

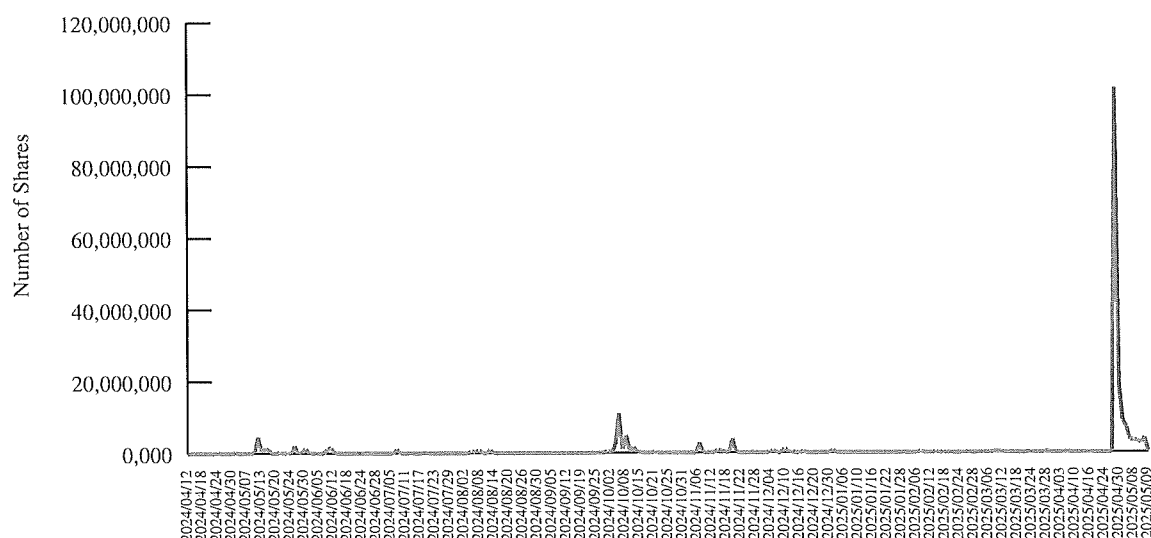
As at the request of the Company, trading in Shares was suspended from 9:00 a.m. on 14 April 2025 pending the release of the Joint Announcement. Following the resumption of trading of the Shares on the Stock Exchange at 9:00 a.m. on 24 April 2025, the closing price of the Shares increased to the highest closing price during the Review Period at HK\$0.0650 per Share. During the publication of the Joint Announcement up to and including the Latest Practicable Date (the “**Post-Announcement Period**”), the lowest and highest closing price of the Shares as quoted on the Stock Exchange were HK\$0.0410 per Ordinary Share on 29 April 2025 and HK\$0.0650 per Share on 24 April 2025 respectively. The Offer Price of HK\$0.03 per Share represents (i) a discount of approximately 26.83% to the lowest closing price of HK\$0.0410 per Ordinary Share during the Post-Announcement Period; (ii) a discount of approximately 53.85% to the highest closing price of HK\$0.0650 per Share during the Post-Announcement Period; and (iii) a discount of approximately 36.98% to the average daily closing price of approximately HK\$0.0476 per Share during the Post-Announcement Period.

We noted that the Shares had been traded (i) above the Offer Price per Share for 86 days during the Review Period, representing approximately 33.59% of the total trading days during the Review Period and 10 days during the Post-Announcement Period, representing approximately 100% of the total trading days during the Post-Announcement Period; (ii) below the Offer Price per Share for 116 days during the Review Period, representing approximately 45.31% of the total trading days during the Review Period and 0 day during the Post-Announcement Period, representing nil of the total trading days during the Post-Announcement Period; (iii) at the Offer Price per Share for 54 days during the Review Period, representing approximately 21.10% of the total trading days during the Review Period and 0 day during the Post-Announcement Period, representing nil of the total trading days during the Post-Announcement Period.

(c) *Historical trading volume of the Shares*

Set out below is the chart showing the daily trading volumes of the Shares on the Stock Exchange during the Review Period.

Table 3: Daily trading volume of the Shares during the Review Period



Source: www.hkex.com.hk

Note:

The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 14 April 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 24 April 2025.

The following table sets out the historical monthly trading volumes of the Shares and the percentage of the number of Shares traded as compared to the total number of Shares in issue during the Review Period.

Table 4: Trading volume of the Shares during the Review Period

Month/Period	Total trading volume for month/period (number of Shares)	Number of trading days during the month	Average daily trading volume for month/period (number of Shares)	Percentage of average daily trading volume to total number of the Shares in issue as at the respective month or period (Note 1)	Percentage of average daily trading volume to total number of the Shares held by public Shareholders as at the respective month or period (Note 2)
2024					
April (commenced from 12 April 2024)	210,000	13	16,153	0.0013%	0.0022%
May	12,832,000	21	611,047	0.0480%	0.0826%
June	3,210,000	19	168,947	0.0133%	0.0228%
July	1,160,000	22	52,727	0.0041%	0.0071%
August	2,554,000	22	116,090	0.0091%	0.0157%
September	912,000	19	48,000	0.0038%	0.0065%
October	22,154,000	21	1,054,952	0.0830%	0.1426%
November	8,770,000	21	417,619	0.0328%	0.0565%
December	3,680,000	20	184,000	0.0145%	0.0249%
2025					
January	2,000	19	105	—	—
February	1,224,000	20	61,200	0.0048%	0.0083%
March	1,248,000	21	59,428	0.0047%	0.0080%
April	139,978,000	13	10,767,538	0.8467%	1.4556%
May (up to and including the Latest Practicable Date)	13,624,000	5	2,724,800	0.2143%	0.3683%
			Maximum	0.8467%	1.4556%
			Minimum	—	—
			Average	0.0915%	0.1572%

Source: www.hkex.com.hk

Notes:

1. Based on 1,271,732,200 Shares in issue as at the respective month or period.
2. Based on 739,732,200 Shares held by the public Shareholders as at the respective month or period.
3. The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 14 April 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 24 April 2025.

As illustrated above, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue during the Review Period ranged from the lowest of nil in January 2025 to the highest of approximately 0.8467% in April 2025, with an average daily trading volume throughout the whole Review Period of approximately 0.0915% of the total number of issued Shares as at the respective month or period whereas the average daily trading volume of the Shares as a percentage of the total number of Shares held by public Shareholders during the Review Period ranged from the lowest of nil in January 2025 to the highest of approximately 1.4556% in April 2025, with an average daily trading volume throughout the whole Review Period of approximately 0.1572% of the total number of Shares held by public Shareholders as at the respective month or period.

During the Review Period, nil daily trading volume of the Shares was recorded for 149 trading days, representing approximately 58.20% of the total number of trading days throughout the Review Period. We consider that the average daily trading volume of the Shares has been thin as a whole during the Review Period. We observed the trading volume of the Shares has been recorded on a daily basis during the Post-Announcement Period. As illustrated in Table 3, we noted that the relatively high average daily trading volume of the Shares has been arising since the resumption of trading of the Shares on the Stock Exchange at 9:00 a.m. on 24 April 2025. The average daily trading volume during the Post-Announcement Period of approximately 1.2052% of the total number of issued Shares and approximately 2.0720% of the total number of Shares held by public Shareholders. We have enquired with the management of the Company for the possible reasons other than the publication of the Joint Announcement and were advised that the Company was not aware of any other reasons regarding the active trading. We are of the view that the market reaction was likely to be in response to the publication of the Joint Announcement and it is uncertain whether such trading momentum could be sustained in light that the average daily trading volume of the Shares was generally thin during the Review Period.

Given the thin trading volume of the Shares, the Independent Shareholders may find it difficult to dispose of a large volume of Shares in the open market in a short period of time without exerting downward pressure on the price of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive through the disposal of their Shares in the open market and therefore, the Offer provides a viable alternative exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to realise their investment in the Company at the Offer Price of HK\$0.03 per Offer Share.

Having considered that (i) the overall price performance of the Shares during the Review Period; (ii) the Offer Price represents a premium over the average of the closing prices as quoted on the Stock Exchange for last five, ten and thirty trading days up to and including the Last Trading Day; and (iii) the trading volume of the Shares was generally thin for the majority of the Review Period, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a relatively large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to. The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

(d) Comparable Analysis

In order to further assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”) and dividend yield which are commonly adopted trading multiple analyses in assessing the financial valuation of a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. Given that the Group was loss-making for the FY2023 and FY2024 and no dividend was distributed for the FY2023 and FY2024, the P/E Ratio analysis and dividend yield analysis are not applicable.

Based on the Offer Price of HK\$0.03 per Offer Share and the total number of issued Shares of 1,271,732,200 as at the Latest Practicable Date, the Company is valued at approximately HK\$38.15 million. The P/B Ratio of the Company implied by the Offer Price is approximately 0.43 times (the “**Implied P/B Ratio**”) based on the unaudited consolidated net asset value of the Company of approximately HK\$88.44 million as at 30 September 2024.

We have attempted to identify the comparable companies (the “**Comparables**”) which are (i) listed on the Stock Exchange; (ii) defined as investment companies pursuant to Chapter 21 of the Listing Rules. In this regard, we have identified and made references to 20 comparable companies that meet the aforesaid criteria which represent all Chapter 21 companies listed on the Stock Exchange and are exhaustive based on the aforesaid criteria. Given that the Company and the Comparables are principally engaged in investment business, we believe that the net asset value could implicitly reflect the size of the financial assets being put under investment. Therefore, we consider that the P/B Ratio represents an appropriate analysis benchmark for the Group. Notwithstanding that the market capitalisation, size and composition of investment portfolio and financial performance of the Comparables are not the same as those of the Group, both the Comparables and the Group are purely investment companies bounded by Chapter 21 of the Listing Rules. We did not consider the market capitalisation of the Comparables as one of the selection criteria as the primary business of Chapter 21 companies is the same which focusing on investing in listed or unlisted securities, including warrants, money market instruments, commodities, options and futures contracts as well as other collective investment schemes. Since we could not obtain the full investment portfolio of the Comparables i.e. the focus of geographical locations and mix of investment products from their respective annual or interim reports, and the fact that the investment portfolio mix of these Comparables are changing time to time, we did not take these factors into account as a selection criterion for the Comparables. Having considered that

the nature of the Comparables as investment companies pursuant to Chapter 21 of the Listing Rules, we are of the view that the Comparables are fair and representative samples for comparison and provide a comprehensive picture of investment companies listed on the Stock Exchange. Details of our analysis are set out in the following table:

Table 5: P/B Ratio of the Comparables

Name of the Comparables	Stock code	Net asset value (HK\$) (Note 1)	P/B Ratio (Note 1)
Capital Realm Financial Holdings Group Limited	204	370,122,000	0.11
Capital VC Limited	2324	307,506,138	0.20
China Castson 81 Financial Co. Limited	810	31,862,000	0.75
China Development Bank International Investment Limited	1062	994,126,032	0.18
China Financial International Investments Limited	721	167,069,000	1.77
China Financial Leasing Group Limited	2312	77,639,000	0.41
China Innovation Investment Limited	1217	542,711,000	0.24
China Investment and Finance Group Limited	1226	151,896,000	4.35
China Merchants China Direct Investments Limited (Note 3)	133	5,025,555,834	0.40
China New Economy Fund Limited	80	60,859,422	1.37
China SCI-Tech Industrial Investment Group Limited (Note 4)	339	N/A	N/A
Cocoon Holdings Limited	428	130,064,000	0.12
Ding Yi Feng Holdings Group International Limited	612	501,134,000	0.72
DT Capital Limited	356	62,176,632	2.90
Goldstone Capital Group Limited	1160	9,810,000	3.36
Harbour Digital Asset Capital Limited	913	172,017,000	0.37
Prosperity Investment Holdings Limited (Note 4)	310	N/A	N/A
Shanghai International Shanghai Growth Investment Limited (Note 3)	770	9,297,937	0.45
Walnut Capital Limited	905	127,659,000	7.16
Wealthking AI-Innovation Capital Limited	1140	10,009,496,000	0.08
	Maximum		7.16
	Minimum		0.08
	Average		1.39
	Median		0.43
The Company (Note 2)	768	88,441,000	0.43

Source: www.hkex.com.hk

Notes:

1. The P/B Ratio of the Comparables are calculated based on the market capitalisation of the respective Comparables divided by the net asset value of the respective Comparables as extracted from their respective latest published interim or annual reports as at the Latest Practicable Date.
2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company based on the Offer Price divided by the latest published unaudited net asset value as at 30 September 2024 as extracted from the 2024 Interim Report.
3. An exchange rate of USD1 to HKD7.76294 as at 31 December 2024 is adopted for net asset value presented in USD respectively.
4. "N/A" denotes that the respective Comparables did not record any net asset value in their latest published annual or interim reports and therefore the net asset value and P/B Ratio are not applicable.

As illustrated in the table set out above, the P/B Ratio of the Comparables ranged from approximately 0.08 times to approximately 7.16 times, with an average of approximately 1.39 times and the median of approximately 0.43 times. Accordingly, the Implied P/B Ratio of approximately 0.43 times is within the range of the P/B Ratio of the Comparables. The Implied P/B Ratio is lower than the average of P/B Ratio of the Comparables but equivalent to the median of P/B Ratio of the Comparables and close to the minimum P/B Ratio of the Comparables which could be reasonably due to the fact that the trading price of the Shares have been trading substantially below the net asset value per Share over the past 12 months (as shown in Table 6 headed "Historical discounts to NAV per Share" below). Despite the Implied P/B Ratio is lower than the average of the P/B Ratio of the Comparables, it is higher than the P/B Ratio of the Company of approximately 0.40 times as calculated based on the closing prices of the Shares on the Last Trading Day (i.e. HK\$0.028 per Share). We consider the Offer Price allows the Independent Shareholders to realise their investment in the Group, in part or in whole, at a lower discount to the Group's net asset value per Share attributable to equity owners of the Company as at 30 September 2024, whilst the recent market prices cannot reflect the underlying net asset value of the Group per Share attributable to equity owners of the Company in full.

In light of the above, we are of the view that the Offer Price is fair and reasonable from a valuation standpoint so far as the Independent Shareholders are concerned.

(e) Comparison with historical discounts to net asset value per Share (the "NAV per Share")

With reference to (i) the closing price of the Shares ranging from HK\$0.017 to HK\$0.065 during the Review Period as discussed above; and (ii) the NAV per Share ranging from HK\$0.067 to HK\$0.073 during the Review Period as shown in the table below, we noted that the Shares had consistently been traded at a closing price below the NAV per Share during the Review Period. Set out below are the summary of (i) the NAV per Share with reference to the monthly update announcements containing a statement of its NAV per Share as at the end of each month; (ii) the closing price of Share on the even date; and (iii) for illustrative purpose, the discount of the then closing price of the Shares to the NAV per Share as at the corresponding end of each month.

Table 6: Historical discounts to NAV per Share

End of month	NAV per Share (HK\$)	Closing price of the Shares (note 1)	Discount of the closing price of the Shares to the NAV per Share (note 2)
30 April 2024	0.067	0.017	74.63%
31 May 2024	0.070	0.033	52.86%
30 June 2024	0.070	0.026	62.86%
31 July 2024	0.069	0.030	56.52%
31 August 2024	0.071	0.026	63.38%
30 September 2024	0.070	0.035	50.00%
31 October 2024	0.069	0.038	44.93%
30 November 2024	0.067	0.035	47.76%
31 December 2024	0.070	0.030	57.14%
31 January 2025	0.069	0.030	56.52%
28 February 2025	0.070	0.025	64.29%
31 March 2025	0.073	0.028	61.64%
	Maximum		74.63%
	Minimum		44.93%
	Average		57.71%

Source: www.hkex.com.hk

Notes:

1. The closing price of Share represents the closing price of the Shares on the corresponding month-end date, or if the month-end date is a non-trading day, the closing price of the Shares on the next trading day following the end of month.
2. The discount of the closing price of the Shares to the NAV per Share is based on (i) the then closing price of the Shares as described in point (note 1) above; and (ii) the NAV per Share as at the corresponding end of each month as extracted from the relevant published announcements regarding the NAV per Share of the Company.

We noted from the above table that the discount of the then closing price of the Shares to the NAV per Share (the “**Historical Discount**”) as at the end of each month during the Review Period ranged from approximately 44.93% to approximately 74.63%, with an average discount of approximately 57.71%. The Offer Price represents (i) a discount of approximately 53.85% to the audited consolidated NAV per Share as at 31 March 2024; and (ii) a discount of approximately 57.14% to the unaudited consolidated NAV per Share as at 30 September 2024, which are within the range of and below to the average of the Historical Discount.

The Historical Discount during the Review Period has implied the Shares have been trading consistently undervalued by the investors in the stock market based on the net asset value of the Company. We noted that there are 12 out of 20 Comparables, representing over half of the Comparables have a P/B Ratio below 1, which implying that it is not uncommon for the shares of Chapter 21 companies to trade at discounts to their net asset values. The discount of the market price (as at the Latest Practicable Date) to the net asset values per Share of those 12 Comparables as at 31 March 2025 ranged from approximately 22.22% to approximately 91.75%, and with an average discount of approximately 64.89%. The investors may have emphasised more on the earnings and business performance of Chapter 21 companies, as well as the future prospects, investment portfolio mix, earnings, cash free flow and geographical locations when they decided the trading price of the Shares. As such, when assessing the fairness and reasonableness of the Offer Price, it is more appropriate to compare with the fair value of the Share which (i) reflected by the on-market trading price of the Shares; and (ii) making reference to the historical price performance.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons set out in this letter, in particular:

- (a) the performance of the Group might be hindered by the escalation of China-U.S. trade war and uncertainty of the stock market due to the political and economic challenges mentioned in the above section headed “Prospects and outlook of the Group”;
- (b) the overall unsatisfying financial performance of the Group from FY2023 to FY2024 including recorded loss of approximately HK\$14.4 million and HK\$7.4 million for FY2023 and FY2024 respectively and the Group had not declared any dividend in both FY2023 and FY2024 as mentioned in the above section headed “Information on the Group”;
- (c) the Offer Price of HK\$0.03 per Offer Share is a premium to the average market price of the Shares during the Review Period and represents a premium of 11.11%, 7.14% and 7.14% over the average of the closing prices as quoted on the Stock Exchange for last five, ten and thirty trading days up to and including the Last Trading Day respectively;
- (d) the trading volume of the Shares was generally thin during the Review Period with an average daily trading volume throughout the whole Review Period of approximately 0.0915% of the total number of Shares in issue and approximately 0.1572% of the total number of Shares held by public Shareholders as at the Latest Practicable Date and thus it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price; and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market;

- (e) despite the Offer Price represents a discount of approximately 53.85% to the audited consolidated NAV per Share as at 31 March 2024 and a discount of approximately 57.14% to the unaudited consolidated NAV per Share as at 30 September 2024, it is noted that the Share price has been trading at discounts to the Company's net asset value per Share throughout the Review Period; and
- (f) despite that the Offer Price represents a discount of approximately 36.98% to the average daily closing price of approximately HK\$0.0476 per Share during the Post-Announcement Period, the trading volume is generally thin throughout the Review Period and there is no guarantee that the Share price will sustain at a level higher than the Offer Price during and after the Offer Period based on our view on the Group might continue to operate in a challenging environment in the coming years and remains uncertain as discussed in point (a) above; and
- (g) the Implied P/B Ratio of approximately 0.43 times is close to the minimum of the P/B Ratio of the Comparables and lower than the average of P/B Ratio of the Comparables but is equivalent to the median of the P/B Ratio of the Comparables,

we are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nonetheless, we note that the Share price has been trading above the Offer Price since the date of the Joint Announcement and up to the Latest Practicable Date. As such, for those Independent Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offer.

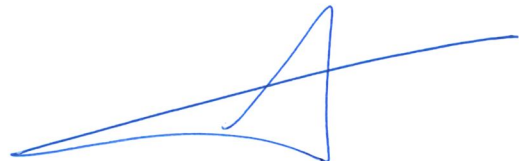
For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

For those Independent Shareholders who consider to retain their Shares, in full or in part, we would remind them that there is no guarantee that the prevailing Share price will sustain at a level higher than the Offer Price during and after the Offer Period.

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, Independent Shareholders read carefully the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance.

The Shareholders should be aware that the Offer is subject to the satisfaction of the condition as set out in the section headed "Conditions to the Offer" in the Letter from the Offer Agent and read carefully Appendix I to the Offer Document – "Further terms of the Offer and procedures for acceptance". Accordingly, the Offer may or may not become unconditional.

Yours faithfully,
for and on behalf of
Vinco Financial Limited

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Alister Chung
Managing Director

Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.