THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in China Automotive Interior Decoration Holdings Limited, you should at once hand this circular and together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

中汽内饰
CHINA AUTOMOTIVE

中國汽車內飾集團有限公司
CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0048)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE; AND (II) NOTICE OF EGM

Underwriter of the Rights Issue

ASTRUM

Astrum Capital Management Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

VINCO 榮高

Vinco Financial Limited

Terms in this cover page have the same meanings as defined in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 67 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 38 to 39 of this circular.

A notice convening the EGM to be held at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Friday, 14 November 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than Wednesday, 12 November 2025 at 11:00 a.m. (Hong Kong time), or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

It should be noted that the Placing Agreement and the Underwriting Agreement contain provisions granting the Placing Agent and the Underwriter the right to terminate the obligations of the Placing Agent and the Underwriter respectively thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" and the paragraph headed "Rescission of the Placing Agreement" in the Letter from the Board. If the Placing Agreement or the Underwriting Agreement is terminated by the Placing Agent or the Underwriter respectively, or does not become unconditional, the Rights Issue will not proceed.

27 October 2025

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 10 September 2025 in relation to, among other things, the Rights Issue, the Placing Agreement and the Underwriting Agreement
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	China Automotive Interior Decoration Holdings Limited, a company incorporated in the Cayman Islands and continued in Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange (Stock Code: 48)
"Compensatory Arrangements"	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best-effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all independent non-executive Directors, established to advise the Independent Shareholders on the Rights Issue, the Placing Agreement and the Underwriting Agreement
"Independent Financial Adviser" or "Vinco Financial"	Vinco Financial Limited, a corporation licensed to carry out Type 1 (dealing securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Underwriting Agreement and the transactions contemplated thereunder
"Independent Shareholders"	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules

"Independent Third Party(ies)"	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
"Last Trading Day"	Wednesday, 10 September 2025, being the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
"Latest Placing Time"	4:10 p.m. on Friday, 18 December 2025 or such later date and time as the Company may announce, being the latest date and time for the Placing Agent to effect the Compensatory Arrangements
"Latest Practicable Date"	Wednesday, 22 October 2025, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 11 December 2025, or such other time as the Company may determine, being the latest time and date for payment for and acceptance of the Rights Shares as described in the Prospectus Documents
"Latest Time for Termination"	4:00 p.m. on Monday, 22 December 2025, or such later time or date as may be agreed by the Company and the Underwriter in writing
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Gain"	the aggregate of any premium (being the aggregate amount paid by the Placees after deducting the aggregate amount of the Subscription Price and the expenses of the Placing Agent (including any other related expenses/fees) for the Unsubscribed Rights Shares placed by the Placing Agent under the Placing Agreement) pursuant to the Compensatory Arrangements

"No Action Shareholders"	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, or Non-Qualifying Shareholders (as the case may be)
"Non-Qualifying Shareholder(s)"	the Overseas Shareholder(s) (if any) in respect of whom the Board, after making relevant enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"NQS Rights Shares"	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
"Overseas Shareholder(s)"	the Shareholder(s) (if any) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Placee(s)"	individuals, corporate, institutional investors(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and are not acting in concert with any of the connected persons of the Company and associates, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
"Placing"	the placing of a maximum of 262,672,656 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agent(s) to the Placees pursuant to the Placing Agreement

"Placing Agent" or "Astrum Capital"	Astrum Capital Management Limited, a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities
"Placing Agreement"	the placing agreement dated Wednesday, 10 September 2025 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Period"	the period commencing from Wednesday, 16 December 2025 and ending at 4:00 p.m. on Friday, 18 December 2025
"Posting Date"	Thursday, 27 November 2025, or such other date as the Company may determine, being the date of despatch of the Prospectus Documents
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
"Prospectus Documents"	collectively, the Prospectus and the PAL
"Qualifying Shareholders"	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
"Record Date"	Wednesday, 26 November 2025, or such other date as the Company may determine, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
"Registrar"	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

"Rights Issue"	the proposed issue of Rights Shares by way of rights issue on the basis of three (3) Rights Shares for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price
"Rights Share(s)"	up to 262,672,656 Right Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue (assuming there is no change in the total number of issued Shares on or before the Record Date)
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of par value of HK$0.025 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Shares
"Specified Event"	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.13 per Rights Share with par value of HK$0.025 each
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriter"	Astrum Capital

"Underwritten Shares"	all the Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Underwriting Agreement"	the underwriting agreement dated Wednesday, 10 September 2025 entered into between the Company and the Underwriter in respect of the Rights Issue
"Unsubscribed Rights Shares"	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Arrangements for the NQS Rights Shares" in this circular
"Untaken Shares"	the Unsubscribed Rights Shares up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) which are not placed by the Placing Agent under the Compensatory Arrangements
"%"	per cent.

The expected timetable for the Rights Issue set out below is indicative only. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Events	**Time and date**
Latest date and time for lodging transfer documents in order for the transferees to qualify for attending and voting at EGM	4:30 p.m. on Monday, 10 November 2025
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Tuesday, 11 November 2025 to Friday, 14 November 2025
Latest date and time for lodging the proxy form for the EGM	11 a.m. on Wednesday, 12 November 2025
Record date for determining entitlements to attend and vote at the EGM	Friday, 14 November 2025
Expected date and time of the EGM to approve the Rights Issue	11 a.m. on Friday, 14 November 2025
Publication of announcement of poll results of the EGM	Friday, 14 November 2025
Re-opening of the register of members of the Company	Monday, 17 November 2025

The following events are conditional upon the results of the EGM and therefore the dates are tentative only.

Last day of dealings in the Shares on a cum-rights basis	Monday, 17 November 2025
First day of dealings in the Shares on an ex-rights basis relating to the Rights Issue	Tuesday, 18 November 2025
Latest date and time for lodging transfer documents of the Shares in order for the transferees to qualify for the Rights Issue	4:30 p.m. on Wednesday, 19 November 2025

Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive)	Thursday, 20 November 2025 to Wednesday, 26 November 2025
Record Date for determining entitlements for the Rights Issue	Wednesday, 26 November 2025
Re-opening of the register of members of the Company	Thursday, 27 November 2025
Expected date of despatch of Prospectus Documents to the Qualifying Shareholders (in the case of the Non-Qualifying Shareholders, the Prospectus only)	Thursday, 27 November 2025
First day of dealings in nil-paid Rights Shares	Monday, 1 December 2025
Latest time for splitting the PALs	4:30 p.m. on Wednesday, 3 December 2025
Last day of dealings in nil-paid Rights Shares	Monday, 8 December 2025
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Thursday, 11 December 2025
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Monday, 15 December 2025
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Tuesday, 16 December 2025
Latest time of placing of Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Thursday, 18 December 2025
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 22 December 2025
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain)	Monday, 29 December 2025
Despatch of share certificates of fully-paid Rights Shares or refund cheques, if any (if the Rights Issue is terminated)	Tuesday, 30 December 2025
First day of dealings in fully-paid Rights Shares commence	Wednesday, 31 December 2025

Payment of Net Gain to relevant No Action
Shareholders (if any) . . . . Wednesday, 14 January 2026

Dates or deadlines specified in expected timetable above or in other parts of this circular are indicative only and may be varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning or "extreme conditions" caused by super typhoons as announced by the Government of Hong Kong:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 11 December 2025. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 11 December 2025. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on Thursday, 11 December 2025, the dates mentioned in the paragraph above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement, if at or prior to the Latest Time for Termination there is:

(i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

   (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

   (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of members of the Group or the destruction of any material asset of the Group; or

(iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole, or the share price of the Company whether or not ejusdem generis with any of the foregoing; or

(vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

(vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circular in connection with the Rights Issue,

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and neither party shall have any claim against the other in respect of any matter arising out of or in connection with the Underwriting Agreement save for claim (if any) in respect of such continuing clauses or any antecedent breach of the terms of the Underwriting Agreement.

中國汽車內飾集團有限公司
CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0048)

Executive Directors:
Mr. Zhuang Yuejin
Mr. Ng Chung Ho
Ms. Xiao Suni

Independent non-executive Directors:
Mr. Yuen Wai Keung
Ms. Ng Li La, Adeline
Ms. Zhu Chunyan

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and principal place of business:
Unit A, 7/F., Max Share Centre
373 King's Road
North Point
Hong Kong

27 October 2025

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE; AND (II) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 10 September 2025, in relation to, among other things, the Rights Issue, the Placing Agreement and the Underwriting Agreement.

The purpose of this circular is to provide you with among other things, details of (i) the Rights Issue, the Placing Agreement and the Underwriting Agreement; (ii) the recommendation of the Independent Board Committee in relation to the Rights Issue, the Placing Agreement and the Underwriting Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the Underwriting Agreement; and (iv) a notice convening the EGM.

PROPOSED RIGHTS ISSUE

The Company proposes to issue 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to raise gross proceeds of up to approximately HK$34.1 million at the Subscription Price of HK$0.13 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Further details of the Rights Issue are set out below:

Basis of the Rights Issue:	Three (3) Rights Shares for every two (2) existing Shares held by the Shareholders on the Record Date
Subscription Price:	HK$0.13 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	175,115,104 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK$6,566,816.40 before expenses (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Rights Shares underwritten:	Up to 262,672,656 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement

Total number of Shares in issue upon completion of the Rights Issue:	Up to 437,787,760 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue:	Up to approximately HK$34.1 million before deduction of the costs and expenses which the Company will incur in the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date)
Net proceeds from the Rights Issue:	Up to approximately HK$32.0 million after deducting all necessary costs and expenses (assuming no change in the number of Shares in issue on or before the Record Date)

The Company adopted a share option scheme on 5 June 2015, which had expired on 4 June 2025. No share option scheme has been adopted by the Company afterwards. As at the Latest Practicable Date, there is no shares options granted under the share option scheme remained outstanding. As at the Latest Practicable Date, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 262,672,656 Rights Shares proposed to be issued pursuant to the Rights Issue represent (i) approximately 150.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Undertakings

At the Latest Practicable Date, the Company has no substantial shareholder as defined under the Listing Rules and accordingly has not received any information or irrevocable undertaking from any substantial shareholder of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by nominee(s) (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, all transfer documents of the Shares (together with the relevant share certificate(s)) must be lodged for registration with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Wednesday, 19 November 2025. The last day for dealing in the Shares on a cum-rights basis is Monday, 17 November 2025, and the Shares will be dealt with on an ex-rights basis from Tuesday, 18 November 2025.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted by the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by the Latest Time for Acceptance.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules to make enquiries regarding the feasibility of extending the offer of the Rights Issue to Overseas Shareholders, if any. Based on the register of members of the Company as at 17 October 2025, there were eight Overseas Shareholders, with registered addresses situated in the PRC and Taiwan, holding an aggregate of 12,820,000 Shares representing approximately 7.32% of the issued share capital of the Company. If based on the legal advice to be provided by the legal advisor of the Company, the Board considers that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements, provided that if any of such persons would be entitled to a sum not exceeding HK$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be offered for subscription by the Placing Agent to the Placees under the Placing and, if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) existing Shares held by the Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Subscription Price

The Subscription Price is HK$0.13 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

(i) a discount of approximately 19.75% to the closing price of HK$0.162 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 29.73% to the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 29.27% to the average closing price of approximately HK$0.1838 per Share for the last five trading days as quoted on the Stock Exchange before the Last Trading Day;

(iv) a discount of approximately 28.81% to the average closing price of approximately HK$0.1826 per Share for the last ten trading days as quoted on the Stock Exchange before the Last Trading Day;

(v) a discount of approximately 14.47% to the theoretical ex-rights price of approximately HK$0.1520 per Share, based on the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 17.84%, based on the theoretical diluted price of approximately HK$0.1520 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK$0.1850 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK$0.1838 per Share) of approximately HK$0.1850 per Share; and

(vii) a discount of approximately 88.13% of the consolidated net asset value per existing Share of approximately HK$1.096 (based on the latest published consolidated net asset value of the Company of RMB176,023,000 (equivalent to HK$191,865,070) as at 30 June 2025).

The estimated net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of the Rights Shares will be approximately HK$0.1216 (assuming no change in the number of Shares in issue on or before the Record Date).

The Subscription Price was determined by the Company with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons as discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" below in this circular.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Status of Rights Shares

The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid, the record dates of which are on or after the date of allotment and issue of the fully-paid Rights Shares.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, and any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out in the paragraph headed "THE UNDERWRITING AGREEMENT – Conditions of the Rights Issue" in this circular, share certificates for all fully-paid Rights Shares are expected to be posted on or around Tuesday, 30 December 2025 by ordinary post to the allottees, at their own risk, to their registered addresses. If the Rights Issue does not become unconditional, refund cheques will be posted on or around Wednesday, 14 January 2026 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

Odd lot arrangements

In order to facilitate the trading of odd lots (if any) of the Shares, a designated broker will be appointed to stand in the market to match the purchase and sale of odd lots of the Shares at the relevant market price, on a best effort basis. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots trading arrangement will be set out in the Prospectus.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in on any stock exchange other than the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares, comprising those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Arrangements for the NQS Rights Shares" in this circular, by offering these Unsubscribed Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the relevant No Action Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing (the "**Net Gain**") will be paid to the No Action Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 18 December 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Untaken Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent). It is proposed that Net Gain to any of the No Action Shareholder(s) of HK$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

THE PLACING AGREEMENT

On Wednesday, 10 September 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares. If all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed. Further details of the Placing Agreement are set out below:

Date:	10 September 2025 (after trading hours)
Placing agent:	Astrum Capital Management Limited. The Placing Agent was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares during the Placing Period. The Placing Agent confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties.
Placing commission:	The Company shall pay the Placing Agent a placing commission equivalent to 1.5% of the amount which is equal to the placing price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.
Placing price of the Unsubscribed Rights Shares:	The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand and market conditions of the Unsubscribed Rights Shares during the process of placement.
Placees:	The Placing Agent undertakes to procure that the Unsubscribed Rights Shares shall only be placed to individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and are not acting in concert with any of the connected persons of the Company and their respective associates.

The Placing Agent undertakes (i) to make all reasonable enquiries to ensure that the Placee(s) and their respective ultimate beneficial owners (if applicable) will be Independent Third Parties; and (ii) that it will ensure the Placing will not, upon its completion, result in the Company being unable to comply with the Public Float Requirement.

Ranking of Unsubscribed Rights Shares:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
Conditions of the Placing Agreement:	The Placing is subject to and conditional upon (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares; (ii) the Rights Issue having become unconditional; (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; (iv) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may at its absolute discretion waive condition (iii) above by notice in writing to the Company. All of the other conditions are non-waivable.

	If the above conditions are not fulfilled or waived by the Latest Time for Termination or become incapable of being fulfilled, the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save for any accrued rights or obligations under the Placing Agreement or antecedent breaches thereof.
Placing Period:	The period from Tuesday, 16 December 2025 and ending at 4:00 p.m. on Thursday, 18 December 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
Rescission of the Placing Agreement:	The Placing Agent may terminate the Placing Agreement at any time prior to the Latest Time for Termination by mutual written agreement between the Placing Agent and the Company if significant adverse changes in national or international financial, political, or economic conditions, taxation, or exchange controls materially prejudice the Placing, or if new laws, regulations, or events adversely impact the Group’s business, financial position, or prospects. Termination is also permitted if the Placing Agent discovers a material breach of the Company’s representations and warranties, an event rendering them materially untrue, or a material adverse change in the Company’s financial position, or if a moratorium, suspension, or restriction on Stock Exchange trading that materially affects the Placing.

The Company shall use its best endeavours to procure the fulfillment of the conditions precedent to the Placing Agreement by the Latest Time for Termination. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Latest Time for Termination or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefit of the relevant No Action Shareholders. If all or any of the Unsubscribed Rights Shares are successfully placed, any premium over the Subscription Price and the expenses of the Placing Agent (including any other related expenses/fees) be distributed to the relevant No Action Shareholders on a pro-rata basis.

The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders.

THE UNDERWRITING AGREEMENT

On Wednesday, 10 September 2025 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Untaken Share up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) subject to the terms and conditions set out in the Underwriting Agreement.

Further details of the Underwriting Agreement are set out below:

Date:	10 September 2025 (after trading hours)
Underwriter:	Astrum Capital Management Limited. The Underwriter is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities. The Underwriter confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.
Underwriting commission:	The Company shall pay the Underwriter an underwriting commission equal to 4.5% of the amount which is equal to the Subscription Price multiplied by the total number of the Underwritten Share.

The engagement between the Company and the Underwriter in respect of the Rights Issue (including the commission and expenses payable) was determined after arm’s length negotiation between the Underwriter and the Company and is on normal commercial terms with reference the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Underwriting Agreement in respect of the Rights Issue (including the commission and expenses payable) are on normal commercial terms.

Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares, among others:

(i) no Untaken Shares shall be subscribed for in any jurisdiction (other than Hong Kong) except pursuant to an exemption from, or by a transaction not subject to, the registration requirements of the applicable securities laws of that jurisdiction;

(ii) the Underwriter shall not subscribe, for its own account, for such number of the Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to be 29.9% or more of the then issued share capital of the Company;

(iii) the Underwriter shall ensure that the subscribers of the Untaken Shares (including the Underwriter), together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital of the Company upon the allotment and issue of the Rights Shares;

(iv) the Underwriter shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriter), shall be third party independent of, not acting in concert with and not connected with the Company and its connected persons; and

(v) the Underwriter shall, and shall procure the sub-underwriter(s) to, procure independent subscribers to take such number of the Untaken Share as necessary to ensure sufficient public float be maintained upon the allotment and issue of the Rights Shares in compliance with Rule 8.08(1) of the Listing Rules.

Conditions and termination of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the paragraph headed "Conditions of the Rights Issue" below.

In addition, it should be noted that the Rights Issue would not proceed if the Underwriter exercises their termination rights under the Underwriting Agreement. Pursuant to the Underwriting Agreement, if, prior to the Latest Time for Termination:

(i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

    (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of members of the Group or the destruction of any material asset of the Group; or

(iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole, or the share price of the Company whether or not ejusdem generis with any of the foregoing; or

(vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

(vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circular in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement. In any event, the Underwriter reserves the right to, at its sole discretion, terminate the Underwriting Agreement prior to the Latest Time for Termination.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(i) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If prior to the Latest Time for Termination any such notice as is referred to above is given, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and neither party shall have any claim against the other in respect of any matter arising out of or in connection with the Underwriting Agreement save for claim (if any) in respect of such continuing clauses or any antecedent breach of the terms of the Underwriting Agreement.

Conditions of the Rights Issue

The completion of the Rights Issue is conditional upon:

(i) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the EGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;

(ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Posting Date;

(iii) following registration, the Prospectus Documents having been made available to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;

(iv) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked);

(v) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms on or before the Latest Time for Termination;

(vi) the compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;

(vii) the Placing Agreement is not terminated in accordance with its terms on or before the Latest Time for Termination; and

(viii) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

All the conditions precedent above cannot be waived. If the conditions precedent set out in the above paragraphs are not satisfied at or prior to the Latest Time for Termination, the Rights Issue will not proceed.

CLOSURE OF REGISTER OF MEMBERS FOR EGM

The register of members of the Company will be closed from Tuesday, 11 November 2025 to Friday, 14 November 2025 (both dates inclusive) for the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM. The record date will be Friday, 14 November 2025. No transfer of Shares will be registered during the above book closure period.

CLOSURE OF REGISTER OF MEMBERS FOR RIGHTS ISSUE

The register of members of the Company will be closed from Thursday, 20 November 2025 to Wednesday, 26 November 2025 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. The Record Date will be Wednesday, 26 November 2025. No transfer of Shares will be registered during the above book closure period.

EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Shareholders have taken up all the entitled Rights Shares; (iii) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all Unsubscribed Rights Shares have been placed by the Placing Agent; and (iv) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares, all Unsubscribed Rights Shares have not been placed by the Placing Agent, and the Underwriter takes up all the Untaken Share:

	As at the Latest Practicable Date		**Immediately after completion of the Rights Issue assuming all Shareholders have taken up all the entitled Rights Shares**		**Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all Unsubscribed Rights Shares have been placed by the Placing Agent**		**Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares, all Unsubscribed Rights Shares have not been placed by the Placing Agent, and the Underwriter takes up all the Untaken Share**	
	No. of Shares	*Approximate percentage (%)*	*No. of Shares*	*Approximate percentage (%)*	*No. of Shares*	*Approximate percentage (%)*	*No. of Shares*	*Approximate percentage (%)*
Directors								
Zhuang Yuejin	15,164,800	8.66	37,912,000	8.66	15,164,800	3.46	15,164,800	3.46
Xiao Suni	790,000	0.45	1,975,000	0.45	790,000	0.18	790,000	0.18
Zhu Chunyan	790,000	0.45	1,975,000	0.45	790,000	0.18	790,000	0.18
Sub-total	16,744,800	9.56	41,862,000	9.56	16,744,800	3.82	16,744,800	3.82
Public Shareholders								
Independent placees	–	–	–	–	262,672,656	60.00	–	–
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by it	–	–	–	–	–	–	262,672,656	60.00
Other public Shareholders	158,370,304	90.44	395,925,760	90.44	158,370,304	36.18	158,370,304	36.18
Total	175,115,104	100.00	437,787,760	100.00	437,787,760	100.00	437,787,760	100.00

As at the Latest Practicable Date, the Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of non-woven fabric related products used in automotive interior decoration parts and other parts.

Reference is made to the announcement of the Company dated 26 June 2025 in relation to the Company entered into a tenancy agreement for leasing the premises in Chongqing, the PRC for setting up new production lines. A subsidiary, namely 怡星(重慶)汽車內飾有限公司, with registered share capital of RMB40.0 million was set up on 4 July 2025. The Company's principal products are different nonwoven fabrics, which are mainly made of artificial and synthetic fibers. Fabrics of different colours can be formed to suit different customers' requirements through the mixture of fibers of various colours. The fibers are then slackened and carded before being needle-punched together to form fabrics of a plain cloth-like texture, i.e. greige (坯布). For some products which require more than one layer of texture, the greige will be joined with the other layer by further needle-punching. For its production process, the Company would install five production lines, which mainly composed (i) napping machines (起絨機) used to nap on the surface of greige, (ii) needle punching machine (針刺機) used to perform needle punching process to form fabrics of a plain cloth-like texture, (iii) heat setting stenter finishing machines (乾燥定型機) used to fabrics drying and tentering to increase the hardness of the end-products and (iv) automatic casting machines (自動流涎機) used to coating the products with glue ("**Installation of Production Lines**"). It is expected the annual production amount would reach approximately 6 million square meter of nonwoven fabric for production of nonwoven fabric related products and automotive components, such as trunk mat, parcel tray carpet, front wall and fire isolation materials, which are of different characteristics and are to be applied for different usages in passenger vehicles. The Investment cost in the Installation of Production Lines is approximately RMB28.0 million (equivalent to approximately HK$30.5 million).

The Group's manufacturing factories are located in the PRC (Cangzhou, Changchun and Chengdu). After considering, including but not limited to, the cash and cash equivalent of the Group as at 30 June 2025 amounted to RMB24.52 million has been reserved for funding the current business operations of the Group and the requirement of purchase of property, plant and machinery for the new production lines of the new factory in Chongqing, the PRC, the Board is in a view that the Company has an imminent funding need to conduct the Rights Issue.

Assuming no change in the number of Shares in issue on or before the Record Date, it is expected that the gross proceeds and net proceeds from the Rights Issue will be approximately HK$34.1 million and HK$32.0 million, respectively. The Company intends to apply the net proceeds from the Rights Issue as follows:

(i) approximately 95.31% of the net proceeds or approximately HK$30.5 million (equivalent to approximately RMB28.0 million) for purchase of property, plant and machinery for the production lines in the PRC; and

(ii) the remaining of approximately 4.69% of the net proceeds or approximately HK$1.5 million for general working capital of the Group.

Apart from the Rights Issue, the Company had considered other fund-raising alternatives available to the Company such as debt financing and other equity financing such as placing or subscription of new Shares.

The Board considers that to finance the funding needs of the Company in the form of equity is a better alternative than debt. As debt fundraising such as bank borrowings always carry high interest costs and create pressure to the liquidity of the Company. As at 30 September 2025, the Company already has bank loans of approximately RMB35.00 million, and the Group's investment property and leasehold land in the PRC were already pledged to banks for such borrowings. Furthermore, the Company does not have other material tangible assets which may be satisfactory to the banks to be served as collaterals. In respect of equity financing, the Directors are of the view that placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the opportunity to the existing Shareholders to participate. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their proportional shareholdings in the Company through participation in the Rights Issue. In addition, based on the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Last Trading Day, it is expected the proceeds from any proposed placing of shares under general mandate will not be sufficient for financing the Installation of Production Lines.

Having considered the above alternatives, the Directors consider that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole. The Rights Issue will enable the Company to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs which also allowed the Qualifying Shareholders to maintain their proportional shareholdings in the Company. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

Timing

Assuming the completion of the Rights Issue, which are expected to take place by the end of December 2025, the net proceeds will amount to approximately HK$32.0 million. The Group would purchase property, plant and machinery for the installation of production lines from the first quarter of 2026. After the completion of plant and machinery installation, it is expected the new production lines will be used in the second quarter of 2026. The indicative timeline for the cash deployment is set out below:

		Year			
	2026 1st half	**2026 2nd half**	**2027 1st half**	**Total**	
					Approximate percentage
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*(%)*
(i) Purchase of property, plant and machinery for the production lines	21.8	4.4	4.3	30.5	95.31
(ii) General working capital	1.0	0.5	–	1.5	4.69
	26.2	4.9	4.3	32.0	100.00

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this circular. As at the Latest Practicable Date, the Company has no intention or plan to conduct any other equity fund raising activities in the next 12 months upon completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and if the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising activities to support such future developments of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date, the Rights Issue is conditional upon the Independent Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules, and the executive Directors, Mr.

Zhuang Yuejin, Ms. Xiao Suni, and the independent non-executive Director, Ms. Zhu Chunyan, respectively hold 15,164,800 Shares (approximately 8.66% of the Shares), 790,000 Shares (approximately 0.45% of the Shares) and 790,000 Shares (approximately 0.45% of the Shares). Accordingly, the executive Directors, Mr. Zhuang Yuejin and Ms. Xiao Suni are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. Save for Mr. Zhuang Yuejin and Ms. Xiao Suni, no Shareholders and Directors are required to abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Yuen Wai Keung, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

INFORMATION ON THE PARTIES

Information on the Group

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange. The Group is primarily engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts. The Group deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends. The Group also taps into the business of financial services through the investment in a securities house.

Information on the Placing Agent

Astrum Capital is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities.

Information on the Underwriter

Astrum Capital is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM, the Prospectus Documents or the Prospectus, whichever is appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

RECOMMENDATIONS

The Board considers that the Rights Issue, the Placing Agreement and the Underwriting Agreement to be proposed at the EGM is in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the proposed ordinary resolution to approve the Rights Issue, the Placing Agreement and the Underwriting Agreement at the EGM.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" in this circular), the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 18 November 2025. Dealings in the Rights Shares in nil-paid form are expected to take place from 9:00 a.m. on Monday, 1 December 2025 to 4:00 p.m. on Monday, 8 December 2025 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or waived (as applicable) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Right Shares.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 38 to 39 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from Vinco Financial set out on pages 40 to 67 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the Underwriting Agreement.

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Automotive Interior Decoration Holdings Limited
Zhuang Yuejin
Chairman and Executive Director

中國汽車內飾集團有限公司
CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0048)

27 October 2025

To the Independent Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE; AND (II) NOTICE OF EGM

We refer to the circular of the Company dated 27 October 2025 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the Underwriting Agreement are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Vinco Financial has been appointed as the Independent Financial Adviser to advise you and us in this respect.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages 40 to 67 of the Circular; and (ii) the letter from the Board as set out on pages 13 to 37 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the principal reasons and factors considered by, and the advice of, Vinco Financial, we are of the opinion that the Rights Issue, the Placing Agreement and the Underwriting Agreement are on normal commercial terms, are in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, despite the transactions contemplated under the Underwriting Agreement are not in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the Underwriting Agreement.

Yours faithfully,
For and on behalf of the Independent Board Committee of
China Automotive Interior Decoration Holdings Limited

Mr. Yuen Wai Keung **Ms. Ng Li La, Adeline** **Ms. Zhu Chunyan**
Independent non-executive Directors

The following is the text of a letter of advice from Vinco Financial setting out the advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the Rights Issue, which has been prepared for the purpose of incorporation in this circular:

VINCO 榮高

Vinco Financial Limited

27 October 2025

To the Independent Board Committee and the Independent Shareholders of
China Automotive Interior Decoration Holdings Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Rights Issue, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 27 October 2025 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement dated 10 September 2025 in relation to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder.

Proposed Rights Issue

As set out in the Letter from the Board, the Company proposes to issue 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to raise gross proceeds of up to approximately HK$34.1 million at the Subscription Price of HK$0.13 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

The net proceeds from the Rights Issue (after deducting all necessary costs and expenses) are estimated to be approximately HK$32.0 million (assuming no change in the number of Shares in issue on or before the Record Date).

As at the Latest Practicable Date, the Company has no substantial shareholder as defined under the Listing Rules and accordingly has not received any information or irrevocable undertaking from any substantial shareholder of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

The Compensatory Arrangements and the Placing Agreement

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares, comprising those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Arrangements for the NQS Rights Shares" in the Letter from the Board, by offering these Unsubscribed Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the relevant No Action Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 10 September 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. Any Untaken Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Details of the major terms and conditions precedent of the Placing Agreement are set out in the section headed "THE PLACING AGREEMENT" in the Letter from the Board.

The Underwriting Agreement

On 10 September 2025 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Untaken Share up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement.

Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed "THE UNDERWRITING AGREEMENT" in the Letter from the Board.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date, the Rights Issue is conditional upon the Independent Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules, and the executive Directors, Mr. Zhuang Yuejin, Ms. Xiao Suni, and the independent non-executive Director, Ms. Zhu Chunyan, respectively hold 15,164,800 Shares (approximately 8.66% of the Shares), 790,000 Shares (approximately 0.45% of the Shares) and 790,000 Shares (approximately 0.45% of the Shares). Accordingly, the executive Directors, Mr. Zhuang Yuejin and Ms. Xiao Suni are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. Save for Mr. Zhuang Yuejin and Ms. Xiao Suni, no Shareholders and Directors are required to abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yuen Wai Keung, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

We, Vinco Financial, have been appointed and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders regarding the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the terms of the Rights Issue are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company 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 to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue and the transaction contemplated thereunder since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) the published annual report of the Group for the year ended 31 December 2024 (the "“**2024 Annual Report**") and the interim report of the Group for the six months ended 30 June 2025 (the "**2025 Interim Report**") and the six months ended 30 June 2024 (ii) the Placing Agreement and the Underwriting Agreement; and (iii) other information as set out in the Circular. Furthermore, we have researched and analysed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Rights Issue and the transactions contemplated thereunder. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue, the Placing Agreement and the Underwriting Agreement and the transaction contemplated thereunder and, except for its inclusion in the Circular, 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 formulating our opinions and recommendations in respect of the Rights Issue, we have taken into consideration of the following principal factors and reasons:

(i) Business and financial information of the Group

The Group is principally engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts. The Group deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends. The Group also taps into the business of financial services through the investment in a securities house.

Set out below is summary of the Group's audited financial information of the Group for the two years ended 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**") and the unaudited financial information of the Group for the six months ended 30 June 2024 ("**HY2024**") and 30 June 2025 ("**HY2025**"), as extracted from the 2024 Annual Report and the 2025 Interim Report, respectively:

Table 1: Historical financial information of the Group

	For the six months ended 30 June		For the year ended 31 December	
	2025	**2024**	**2024**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	64,257	49,456	128,552	113,673
Gross profit	9,711	8,264	21,041	30,795
Profit/(Loss) for the period/ year attributable to the owners of the Company	(2,455)	(16,024)	27,379	30,031

	As a 30 June	As at 31 December	
	2025	**2024**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)
Cash and cash equivalents	24,516	49,419	26,043
Total assets	256,629	268,246	265,434
Total liabilities	80,606	89,155	113,242
Net assets	176,023	179,091	152,192

HY2025 versus HY2024

With reference to 2025 Interim Report, the Group recorded revenue of approximately RMB64.3 million for HY2025, representing an increase of approximately 29.9% as compared with approximately RMB49.5 million for HY2024. Such increase was mainly attributable to the improvement of the business environment of the Group. The Group recorded an increase of approximately 17.5% in gross profit from approximately RMB8.3 million for HY2024 to approximately RMB9.7 million for HY2025. Such increase in gross profit was mainly due to the increase in revenue of Group's business of manufacture and sale of nonwoven fabric related products. The loss attributable to the owners of the Company was approximately RMB2.5 million for HY2025 compared with a loss of approximately RMB16.0 million for HY2024. Such reduction in loss resulted from the increase in gross profit mentioned above and the net gains from other income driven by the increase in interest income and fair value gain on financial assets at fair value.

The Group's unaudited total assets and total liabilities as at 30 June 2025 amounted to approximately RMB256.6 million and RMB80.6 million respectively. The Group's unaudited net assets value amounted to approximately RMB176.0 million as at 30 June 2025, representing a decrease of approximately 1.7% as compared to that of approximately RMB179.1 million as at 31 December 2024. Such decrease in net assets value was mainly attributable to the decrease in cash and cash equivalents and the increase in bank borrowings. The gearing ratio (represented by the ratio of total liabilities to total assets) was approximately 0.31 as at 30 June 2025 as compared to 0.33 as at 31 December 2024. The decrease in gearing ratio was a result of total liabilities declining proportionally more than total assets.

FY2024 versus FY2023

With reference to 2024 Annual Report, the Group recorded revenue of approximately RMB128.6 million for FY2024, representing an increase of approximately 13.1% as compared with approximately RMB113.7 million for FY2023. Such increase was mainly due to the increase in sales of other automotive parts. The Group recorded a decrease of approximately 31.7% in gross profit from approximately RMB30.8 million for FY2023 to approximately RMB21.0 million for FY2024. Such decrease in gross profit was mainly due to the increase in cost of inventories sold. The profit attributable to the owners of the Company was approximately RMB27.4 million for FY2024 compared with a profit of approximately RMB30.0 million for FY2023. Such reduction in profit resulted from the decrease in gross profit mentioned above, the net allowance for expected credit loss and overprovision of income tax in prior year.

The Group's audited total assets and total liabilities as at 31 December 2024 amounted to approximately RMB268.2 million and RMB89.2 million respectively. The Group's audited net assets value amounted to approximately RMB179.1 million as at 31 December 2024, representing an increase of approximately 17.7% as compared to that of approximately RMB152.2 million as at 31 December 2023. Such increase in net assets value was mainly attributable to the increase in property, plant and equipment and the decrease in tax payable. The gearing ratio (represented by the ratio of total liabilities to total assets) was approximately 0.33 as at 31 December 2024 as compared to 0.43 as at 31 December 2023. The decrease in gearing ratio was a result of the decrease in total liabilities and the increase in total assets.

(ii) Fund raising activities in the past twelve months

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, the Company has no intention or plan to conduct any other equity fund raising activities in the next 12 months upon completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and if the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising activities to support such future developments of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Proposed Rights Issue

1.1 Information on the Underwriter and the Placing Agent

Astrum Capital Management Limited is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities.

It confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties.

1.2 Reasons for and benefits of the Rights Issue and use of proceeds

As disclosed in the Letter from the Board, the Group is principally engaged in the manufacture and sale of non-woven fabric related products used in automotive interior decoration parts and other parts.

Reference is made to the announcement of the Company dated 26 June 2025 in relation to the Company entered into a tenancy agreement for leasing the premises in Chongqing, the PRC for setting up new production lines. A subsidiary, namely 怡星(重慶)汽車內飾有限公司, with registered share capital of RMB40.0 million was set up on 4 July 2025. The Company's principal products are different nonwoven fabrics, which are mainly made of artificial and synthetic fibers. Fabrics of different colours can be formed to suit different customers' requirements through the mixture of fibers of various colours. The fibers are then slackened and carded before being needle-punched together to form fabrics of a plain cloth-like texture, i.e. greige (坯布). For some products which require more than one layer of texture, the greige will be joined with the other layer by further needle-punching. For its production process, the Company would install five production lines, which mainly composed (i) napping machines (起絨機) used to nap on the surface of greige, (ii) needle punching machine (針刺機) used to perform needle punching process to form fabrics of a plain cloth-like texture, (iii) heat setting stenter finishing machines (乾燥定型機) used to fabrics drying and tentering to increase the hardness of the end-products and (iv) automatic casting machines (自動流涎機) used to coating the products with glue ("**Installation of Production Lines**"). It is expected the annual production amount would reach approximately 6 million square meter of nonwoven fabric for production of nonwoven fabric related products and automotive components, such as trunk mat, parcel tray carpet, front wall and fire isolation materials, which are of different characteristics and are to be applied for different usages in passenger vehicles. The Investment cost in the Installation of Production Lines is approximately RMB28.0 million (equivalent to approximately HK$30.5 million). Pursuant to the market analysis published by Market Research Future, a global market research company, in September 2025, there was a growth trajectory in the nonwoven fabrics sector in the PRC over the past few years that the market revenue increased from approximately USD8.0 billion in 2023 to USD8.3 billion in 2024. Furthermore, according to the statistic report namely "China Nonwoven Fabric Market Size & Outlook, 2024-2030", published by Grand View Research, a market research and consulting company, we noted that the nonwoven fabrics market in the PRC is expected to have a compound annual growth rate of 8.2% from 2025 to 2030. Also, as disclosed in 2025 Interim Report, we understood most of the customers of nonwoven fabric products are primary manufacturers and suppliers of automotive parts in the PRC and there was an increase of approximately 12.1% and 14.5% in the production and sales of passengers vehicles in the PRC for the six months ended 30 June 2025 by comparing the corresponding period of 2024. Given the historical growth in both the nonwoven fabrics and automotive market and the positive future projections regarding the continued growth, we believe it is reasonable for the Company to allocate the proceeds from Rights Issue for the development of production line related to nonwoven fabrics as to generate further income and hence enhance the interests of the Company and its Shareholders as a whole. Based on the 2025 Interim Report, it is expected the current cash and cash equivalent of approximately RMB24.5 million as at 30 June 2025 might not be sufficient for financing the Installation of Production Lines. After considering, including but not limited to, the cash and cash equivalents of the Group of approximately RMB24.5 million as at 30 June 2025, the requirement of maintaining sufficient working capital for its present business operations, and the requirement of purchase of property, plant and machinery for the new production lines, the Board is in a view that the Company has an imminent funding need to conduct the Rights Issue.

Assuming no change in the number of Shares in issue on or before the Record Date, it is expected that the gross proceeds and net proceeds from the Rights Issue will be approximately HK$34.1 million and HK$32.0 million, respectively. The Company intends to apply the net proceeds from the Rights Issue as follows:

(i) approximately 95.31% of the net proceeds or approximately HK$30.5 million (equivalent to approximately RMB28.0 million) for purchase of property, plant and machinery for the production lines in the PRC; and

(ii) the remaining of approximately 4.69% of the net proceeds or approximately HK$1.5 million for general working capital of the Group.

Assuming the completion of the Rights Issue, which are expected to take place by the end of December 2025, the net proceeds will amount to approximately HK$32.0 million. The Group would purchase property, plant and machinery for the installation of production lines from the first quarter of 2026. After the completion of plant and machinery installation, it is expected the new production lines will be used in the second quarter of 2026.

Apart from the Rights Issue, the Company had considered other fund-raising alternatives available to the Company such as debt financing and other equity financing such as placing or subscription of new Shares.

The Board considers that to finance the funding needs of the Company in the form of equity is a better alternative than debt. As debt fundraising such as bank borrowings always carry high interest costs and create pressure to the liquidity of the Company. As at 30 September 2025, the Company already has bank loans of approximately RMB35.0 million, and the Group's investment property and leasehold land in the PRC were already pledged to banks for such borrowings. Furthermore, the Company does not have other material tangible assets which may be satisfactory to the banks to be served as collaterals. In respect of equity financing, the Directors are of the view that placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the opportunity to the existing Shareholders to participate. In addition, based on the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Last Trading Day, it is expected the proceeds from any proposed placing of shares under general mandate will not be sufficient for financing the Installation of Production Lines. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their proportional shareholdings in the Company through participation in the Rights Issue.

Having considered the above alternatives, we concur with the view of the Directors that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole. The Rights Issue will enable the Company to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs which also allowed the Qualifying Shareholders to maintain their proportional shareholdings in the Company. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

1.3 Principal terms of the Rights Issue

The Company proposes to issue 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to raise gross proceeds of up to approximately HK$34.1 million at the Subscription Price of HK$0.13 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Further details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every two (2) existing Shares held by the Shareholders on the Record Date
Subscription Price:	HK$0.13 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	175,115,104 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)

Aggregate nominal value of the Rights Shares:	Up to HK$6,566,816.40 before expenses (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Rights Shares underwritten:	Up to 262,672,656 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
Total number of Shares in issue upon completion of the Rights Issue:	Up to 437,787,760 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue:	Up to approximately HK$34.1 million before deduction of the costs and expenses which the Company will incur in the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date)
Net proceeds from the Rights Issue:	Up to approximately HK$32.0 million after deducting all necessary costs and expenses (assuming no change in the number of Shares in issue on or before the Record Date)

The Company adopted a share option scheme on 5 June 2015, which had expired on 4 June 2025. No share option scheme has been adopted by the Company afterwards. As at the Latest Practicable Date, there is no shares options granted under the share option scheme remained outstanding. As at the Latest Practicable Date, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 262,672,656 Rights Shares proposed to be issued pursuant to the Rights Issue represent (i) approximately 150.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

1.4 Our analysis of the principal terms of the Rights Issue

1.4.1 The Subscription Price

The Subscription Price of HK$0.13 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 19.75% to the closing price of HK$0.162 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 29.73% to the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 29.27% to the average closing price of approximately HK$0.1838 per Share for the last five trading days as quoted on the Stock Exchange before the Last Trading Day;

(iv) a discount of approximately 28.81% to the average closing price of approximately HK$0.1826 per Share for the last ten trading days as quoted on the Stock Exchange before the Last Trading Day;

(v) a discount of approximately 14.47% to the theoretical ex-rights price of approximately HK$0.1520 per Share, based on the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 17.84%, based on the theoretical diluted price of approximately HK$0.1520 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK$0.1850 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Last Trading Day of approximately HK$0.1838 per Share) of approximately HK$0.1850 per Share; and

(vii) a discount of approximately 88.13% of the consolidated net asset value per existing Share of approximately HK$1.096 (based on the latest published consolidated net asset value (the "**NAV**") of the Company of RMB176,023,000 (equivalent to HK$191,865,070) as at 30 June 2025).

The estimated net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of the Rights Shares will be approximately HK$0.1216 (assuming no change in the number of Shares in issue on or before the Record Date).

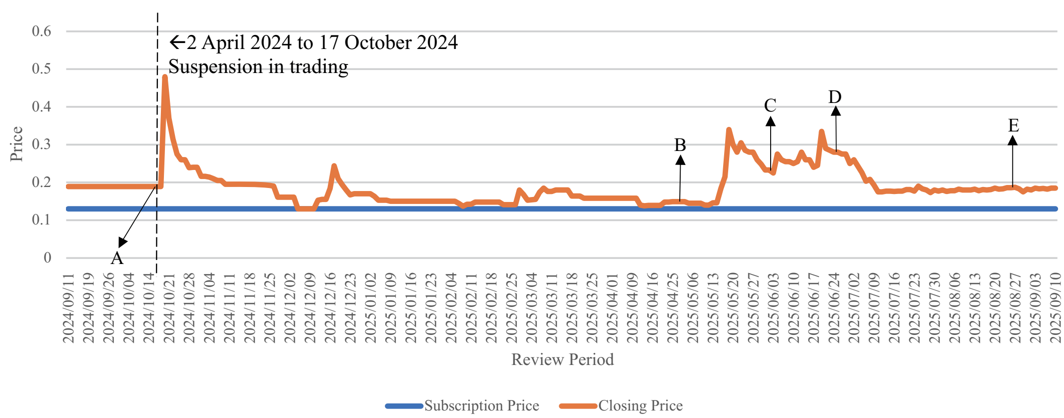
The Subscription Price was determined by the Company with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons as discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" above in this letter.

We concur with the view of the Directors that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

1.4.2 Historical price performance of the Shares

To assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing price of the Shares from 11 September 2024 to and including 10 September 2025, the Last Trading Day (the "**Review Period**"), (being a period of one year, which is commonly used for analysis purpose to illustrate the general trend of the daily closing price and the level of movement of the Shares) and compared with the Subscription Price. We consider that such sampling period of one year is adequate as it (i) covers a complete annual trading cycle of the Shares; (ii) reflects both historical and recent trading patterns; and (iii) provides a representative range of trading prices for assessment of the Subscription Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Table 2: Share price performance during the Review Period



Source: The website of Stock Exchange

Notes:

The trading of the Shares on the Stock Exchange was suspended at 9:00 p.m. on 2 April 2024 pursuant to the rule 13.50A of the Listing Rules due to a disclaimer of opinion on the Company's financial statements. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 18 October 2024.

Event A – Publication of the announcement regarding fulfilment of resumption guidance in relation to resumption of trading on 17 October 2024

Event B – Publication of the 2024 Annual Report

Event C – Publication of the announcement regarding poll results of the annual general meeting held on 3 June 2025

Event D – Publication of the announcement regarding the tenancy agreement for leasing of premises on 26 June 2025

Event E – Publication of the 2025 interim results of the Group for the six months ended 30 June 2025

During the Review Period, the Shares traded between a range of HK$0.130 on 4 December 2024, 5 December 2024, 6 December 2024, 9 December 2024 and 10 December 2024 and HK$0.480 on 18 October 2024 with an average closing price per Share of approximately HK$0.188. The Subscription Price represents (i) the lowest closing price per Share (i.e. HK$0.130); (ii) a discount of approximately 72.92% to the highest closing price per Share (i.e. HK$0.480); and (iii) a discount of approximately 30.99% to the average closing price per Share (i.e. HK$0.188) during the Review Period.

As illustrated in the graph above, the closing price showed fluctuation overall during the Review Period. Since commencement of the Review Period, the closing price per Share remained at HK$0.189 since the suspension of trading in shares and rose to HK$0.480, being the highest closing price per Share during the Review Period on 18 October 2024, when the trading in shares resumed. Thereafter, on 4 December 2024 and onwards, the closing price per Shares dropped to HK$0.130, being the lowest closing price per Share during the Review Period. Subsequently, the closing price per Share exhibited an upward trend with volatility from May to July 2025. As discussed with the management of the Company, they were not aware of any particular reason that contributed to the fluctuations in the closing price per Share during the Review Period aside from the aforementioned events.

We note that the closing price was not lower than Subscription Price throughout the Review Period. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the closing price during the Review Period.

Taking into consideration that (i) the Subscription Price is equal to or lower than the aforesaid historical closing price range during the Review Period; (ii) the Subscription Price represents a discount to the closing price on the Last Trading Day, the last five consecutive trading days immediately prior to and including the Last Trading Day and the last ten consecutive trading days immediately prior and including the Last Trading Day; (iii) the funding needs as discussed in the paragraph headed "1.2 Reasons for and benefits of the Rights Issue and the use of proceeds" above in this letter, we consider that the Subscription Price is fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

1.4.3 Historical trading volume of the Shares

The following table sets out the trading volume of the Share during the Review Period:

Table 3: Trading volume of the Shares during the Review Period

Month/Period		**Total trading volume of the Shares in the month/period**	**Number of trading days in the month/ period**	**Average daily volume of the Shares in the month/period** *(Note 1)* *(approximately)*	**Percentage of average daily trading volume to total number of Shares** *(Note 2)* *(approximately)*
2024	September	–	13	–	–
	October	23,244,880	21	1,106,899	0.6321%
	November	423,440	21	20,164	0.0115%
	December	5,615,200	20	280,760	0.1603%
2025	January	259,600	19	13,663	0.0078%
	February	1,234,640	20	61,732	0.0353%
	March	1,690,000	21	80,476	0.0460%
	April	602,800	19	31,726	0.0181%
	May	9,196,480	20	459,824	0.2626%
	June	4,562,010	21	217,239	0.1241%
	July	19,811,120	22	900,505	0.5142%
	August	5,470,330	21	260,492	0.1488%
	September	3,203,520	8	400,440	0.2287%

Source: The website of Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Calculated based on the total number of Shares in issue at the end of each month/ period.

As illustrated in the above table, we noted that the average trading volume of the Shares ranged from approximately nil Shares to 1,106,899 Shares during the Review Period, representing approximately nil to 0.6321% of a total of 175,115,104 Shares in issued as at the respective month or period with an average on the percentage of average daily trading volume throughout the whole Review Period of approximately 0.1684% of the total number of issued Shares as at the respective month or period.

Based on the above results, we considered that the trading liquidity of the Shares during the Review Period were thin that the average daily trading volume of the Shares during the Review Period was below 1% of the total number of issued Shares held by the public, we consider that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount on the prevailing Share prices. In light of the above, we consider that conducting a fund raising exercise by way of Rights Issue with Subscription Price set at a discount to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day is appropriate and reasonable as to promote the attractiveness of the Rights Issue.

1.5 Comparable analysis

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue three months prior to the Last Trading Day (the "**Comparison Period**") to understand the trend of the recent market practice. We consider that the Comparison Period is appropriate, fair and representative because (i) the comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the rights issue exercise in the recent market conditions; and (ii) sufficient number of comparables were identified during the Comparison Period. Based on our research, we have identified an exhaustive list of 14 rights issue comparables (the "**Comparables**") during the Comparison Period.

We noted that the business activities and the terms of the rights issue of the Comparables may not be directly comparable to the business activities carried out and the terms of the rights issue announced by the Company due to the differences in business activities and performances. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, NAV, maximum dilution on the shareholding and theoretical dilution effect; (iii) a three-month period for the selection of the Comparables has resulted in the generation of a reasonable sample size; and (iv) the Comparables were included without any artificial selection or filtering on our part. Since there is a sufficient number of Comparables under the selection criteria mentioned above, we are of the view that they represented a true and fair view and representative samples of the recent market trends for rights issue and are sufficient for assessing the fairness and reasonableness of the Rights Issue.

Table 4: The Comparable

Date of announcement	Company name	Stock code	Basic of entitlement	Maximum dilution on the shareholding (%)	Discount of subscription price per rights issue share over to closing price per share on the last trading day prior to announcement of rights issue (%)	Discount of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue (%)	Premium/(discount) of subscription price per rights issue share over/to the NAV per share *(Note 1)* (%)	Theoretical dilution effect *(Note 2)* (%)	Excess Application/Placing *(Note 3)*	Placing commission *(Note 1)* (%)	Underwriting arrangement	Underwriting fee (%)	Minimum placing commission *HK$*	Whitewash waiver application *(Yes/No)*
4 September 2025	Aeso Holding Limited	8341	2 for 1	66.67	(25.70)	(23.10)	(83.00)	(17.12)	Placing	2.50	Non-underwritten	N/A	No	No
4 September 2025	Many Idea Cloud Holdings Limited	6696	6 for 1	85.71	(22.08)	(24.56)	(91.29)	(20.63)	Placing	0.20	Non-underwritten	N/A	No	No
26 August 2025	Jisheng Group Holdings Limited	8133	3 for 1	75.00	(14.29)	(14.29)	(45.45)	(10.57)	Placing	1.50	Non-underwritten	N/A	No	No
14 August 2025	China Energy Development Holdings Limited	228	1 for 2	33.33	(19.90)	(19.90)	(73.34)	(6.63)	Excess application	N/A	Non-underwritten	N/A	No	No
13 August 2025	China Information Technology Development Limited	8178	3 for 8	37.50	(55.05)	(55.24)	(63.00)	(15.12)	Underwriting	N/A	Fully underwritten	7.07	No	No
6 August 2025	Value Convergence Holdings Limited	821	2 for 1	200.00	(4.26)	(5.86)	(71.06)	(3.11)	Placing	2.50	Non-underwritten	N/A	No	No
4 August 2025	Tomo Holdings Limited	6928	1 for 2	33.33	(62.10)	(63.20)	25.00	(21.30)	Placing	1.00	Non-underwritten	N/A	No	No
31 July 2025	Da Yu Financial Holdings Limited	1073	1 for 2	33.33	(16.67)	(18.92)	(45.45)	(6.67)	Excess application	N/A	Non-underwritten	N/A	No	No
25 July 2025	Shin Hwa World Limited	582	1 for 1	100.00	(34.21)	(33.07)	(97.12)	(17.11)	Underwriting	N/A	Non-underwritten	1.00	No	No
23 July 2025	Future Machine Limited	1401	1 for 2	33.33	(72.28)	(72.28)	(28.61)	(24.09)	Placing	1.00	Non-underwritten	N/A	No	No
8 July 2025	Alco Holdings Limited	328	4 for 1	80.00	(19.00)	(19.00)	N/A *(Note 4)*	(15.52)	Placing	1.50	Non-underwritten	N/A	No	No
7 July 2025	Sanergy Group Limited	2459	1 for 2	33.33	(55.60)	(56.30)	(89.00)	(18.80)	Placing	3.50	Non-underwritten	N/A	100,000	No
25 June 2025	Sino Splendid Holdings Limited	8006	3 for 2	60.00	(11.10)	(12.10)	(52.40)	(6.67)	Placing	2.50	Non-underwritten	N/A	No	No
17 June 2025	Risecomm Group Holdings Limited	1679	5 for 1	83.33	(22.48)	(21.63)	Net liabilities	(18.73)	Placing	0.50	Non-underwritten	N/A	No	No
	Maximum			200.00	(4.26)	(5.86)	25.00	(3.11)		3.50		7.07	100,000	
	Minimum			33.33	(72.28)	(72.28)	(97.12)	(24.09)		0.20		1.00	100,000	
	Average			68.21	(31.05)	(31.39)	(59.56)	(14.43)		1.67		4.04	100,000	
	Median			63.33	(22.28)	(22.37)	(67.03)	(16.32)		1.50		4.04	100,000	
	The Company		**48**	**60.00**	**(29.73)**	**(29.27)**	**(88.13)**	**(17.84)**	**Placing**	**1.50**	**Fully underwritten**	**4.5**	**No**	**No**

Source: The website of Stock Exchange

Note:

1. Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.

2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rule**"), or extracted from announcement, circular or prospectus in respect of the relevant rights issue.

3. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.

4. This information is not disclosed in the relevant announcement of the respective Comparable.

According to our research, we observed that (i) 14 of the 14 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the "**LTD Price**"); (ii) 14 of the 14 Comparables had set the subscription price of their rights issue at a discount to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day (the "**5-Day Discount Price**"); and (iii) 11 of the 14 Comparables had set the subscription price of their rights issue at a discount to the NAV per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, 5-Day Discount Price and the NAV per share, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a discount of approximately 4.26% to a discount of approximately 72.28% with average and median discounts of approximately 31.05% and 22.28% respectively. The discount of approximately 29.73% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables and is lower than the average while being higher the median of the Comparables.

The subscription price to the 5-Day Discount Price ranged from a discount of approximately 5.86% to a discount of approximately 72.28% with average and median discounts of approximately 31.39% and 22.37% respectively. The discount of approximately 29.27% of the Subscription Price to the 5-Day Discount Price of the Company falls within the range of those of the Comparables and is lower than the average while being higher the median of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 25.00% to a discount of approximately 97.12% with average and median discounts of approximately 59.56% and 67.03% respectively. The discount of approximately 88.13% of the Subscription Price to the NAV per share of the Company falls within the range of those of the Comparables and is higher than the average and the median of the Comparables. Despite the discount to NAV per share of the Company is higher than the relevant median and the average of the Comparables, having considered that (i) the closing price were not lower than the Subscription Price during the Review Period; (ii) the Shares have been trading below the NAV of the Company for prolonged period at the discount rate of approximately 88.3% and 88.1% based on the NAV of the Group as at 31 December 2024 and 30 June 2025. For our further assessment, we reviewed the closing prices of the Group since June 2024 and the recent NAV of the Group as disclosed in its annual and interim reports. Despite the net assets values of the Group amounted to approximately HK$0.8908, HK$1.1147 and HK$1.096 as at 30 June 2024, 31 December 2024 and 30 June 2025, having considered that the Shares were traded not lower than the Subscription Price since June 2024 and up to the Latest Practicable Date, we are of the view that the investors might not value the Shares based on the financial position of the Group. Accordingly, we consider the deep discount to NAV per share of the Company compared with those of the Comparables, is fair and reasonable, particularly as it falls within the range of discounts among the Comparables.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from 3.11% to 24.09% with average and median dilution of approximately 14.43% and 16.32% respectively. There is a dilution of approximately 17.84% represented by the theoretical diluted price of approximately HK$0.1520 per Share to the benchmarked price of approximately HK$0.1850 per Share (as defined under Rule 7.27B of the Listing Rules taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the theoretical closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day).

Despite (i) the discount of the Subscription Price to the LTD Price and the 5-Day Discount Price is higher than the median of those of the Comparables and (ii) the discount of the Subscription Price to the NAV per share of the Company is higher than the average and the median of the Comparables, we noted that these discounts fall within the range of those of the Comparables, Furthermore, taking into account that (i) the Subscription Price is below or same as the closing price per Share during the Review Period; (ii) the Shares have exhibited thin trading liquidity; (iii) the

Subscription Price represents a discount of the consolidated NAV per Share but fall within the range of those of the Comparables; and (iv) the financial condition as mentioned under section headed "Business and financial information of the Group", we consider the higher discount of the Subscription Price is fair and reasonable as to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue.

As shown in the table of the Comparables above and considering all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue and are offered the same discount of the Subscription Price to the closing price of the Share and the same potential maximum dilution, we are of the view that the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned, and also in alignment with the market practice.

Among the Comparables, we noted that 10 out of 14 Comparables exercise placing in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

2. The Placing Agreement

On 10 September 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares. If all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed. Further details of the Placing Agreement are set out below:

Date	:	10 September 2025 (after trading hours)
Placing Agent	:	Astrum Capital Management Limited. The Placing Agent was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares during the Placing Period. The Placing Agent confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties.

Placing commission	:	The Company shall pay the Placing Agent a placing commission equivalent to 1.5% of the amount which is equal to the placing price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.
Placees	:	The Placing Agent undertakes to procure that the Unsubscribed Rights Shares shall only be placed to individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and are not acting in concert with any of the connected persons of the Company and their respective associates. The Placing Agent undertakes (i) to make all reasonable enquiries to ensure that the Placee(s) and their respective ultimate beneficial owners (if applicable) will be Independent Third Parties; and (ii) that it will ensure the Placing will not, upon its completion, result in the Company being unable to comply with the Public Float Requirement.

For further details, please refer to section headed "THE PLACING AGREEMENT" in the Letter from the Board. In assessing the principal terms of the Placing Agreement, we have considered the following key aspects:

2.1 Placing price

Pursuant to the Placing Agreement, the placing price (the "**Placing Price**") of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand and market conditions of the Unsubscribed Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed "1.5 Comparable analysis" above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

2.2 Placing Commission

As stated in the Letter from the Board, the terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and we are of the view it is on normal commercial terms with reference to 10 rights issue exercises conducted by other companies listed on the Stock Exchange during the three months immediately prior to the Last Trading Day, the commission charged by placing agent in a rights issue exercise generally ranged between 0.20% to 3.50%, with an average of approximately 1.67% and a median of approximately 1.50%. Given the commission rate of 1.50% charged by the Placing Agent falls within the market commission rate (i.e. 0.20% to 3.50%) and below the average and median of those in the Comparables, we concur with the view of the Directors that the commission rate charged by the Placing Agent under the Placing is fair and reasonable and on normal commercial terms.

We have also reviewed other major terms of the Placing Agreement, including but not limited to the conditions of the Placing Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Shareholders are concerned.

3. The Underwriting Agreement

On 10 September 2025 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Untaken Share up to 262,672,656 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) subject to the terms and conditions set out in the Underwriting Agreement.

Further details of the Underwriting Agreement are set out below:

Date	:	10 September 2025 (after trading hours)
Underwriter	:	Astrum Capital Management Limited. The Underwriter is a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities.

		The Underwriter confirmed that it and its ultimate beneficial owners (i) are not Shareholder(s); and (ii) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.
Underwriting commission	:	The Company shall pay the Underwriter an underwriting commission equal to 4.5% of the amount which is equal to the Subscription Price multiplied by the total number of the Underwritten Share.

As mentioned in the Letter from the Board, the engagement between the Company and the Underwriter in respect of the Rights Issue (including the commission and expenses payable) was determined after arm's length negotiation between the Underwriter and the Company and is on normal commercial terms with reference the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Underwriting Agreement in respect of the Rights Issue (including the commission and expenses payable) are on normal commercial terms.

In assessing the principal term of the Underwriting Agreement, including the underwriting commission, we have reviewed the underwriting commissions of the Comparables, if any, and noted that their underwriting commissions ranged from 1.00% to 7.07%, with an average of approximately 4.04% and a median of approximately 4.04%. Given that the Underwriter will charge 4.50% as underwriting commission for the Rights Issue, which falls within the range of the Comparables and close to the average and median of those in the Comparables, such underwriting arrangement is fair and reasonable.

Having considered (i) the Underwriting Arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; and (ii) the commission under the Underwriting Agreement falls within the range of the Comparables and close to the average and median of those in the Comparables, we concur with the Board that, although the underwriting is not in the ordinary and usual course of business of the Group, the terms of the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

4. Possible financial effects of the Rights Issue

Net tangible assets

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interest of the Company and the Shareholders. According to the ''UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY'' set out in the Appendix II to the Circular, the unaudited condensed consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB251.0 million as at 30 June 2025, while the unaudited condensed consolidated net tangible assets per Share before completion of the Rights Issue was approximately RMB1.43; upon completion of the Rights Issue, the unaudited pro forma adjusted condensed consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately RMB280.5 million, while the unaudited pro forma adjusted condensed consolidated net tangible assets per Share immediately after completion of the Rights issue was approximately RMB0.64.

Gearing ratio and liquidity

According to the Interim Report 2025, as at 30 June 2025, the unaudited cash and cash equivalents of the Group was approximately RMB24.5 million. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately RMB29.4 million.

Upon the completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Rights Issue of approximately RMB29.4 million (equivalent to approximately HK$32.0 million). The gearing ratio of the Group (represented by the ratio of total liabilities to total assets) would be improved from approximately 0.31 based on total liabilities of approximately RMB80.6 million and total assets of RMB 256.6 million as at 30 June 2025 to approximately 0.28 based on total liabilities of approximately RMB80.6 million and total assets of RMB286.1 million upon the completion of the Rights Issue.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

5. Possible dilution effect on the shareholding of the Company

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe to the Rights Shares in the market. The maximum dilution effect of the Rights Issue was approximately 60.00%, which fall below the range of the Comparables (from approximately 33.33% to 200.00%).

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed "EFFECTS ON THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY" in the Letter from the Board.

Immediately after completion of the Rights Issue, assuming (a) all Qualifying Shareholders will take up their respective entitlements of the Rights Issue in full; and (b) there is no change to the total issued share capital of the Company on or before the Record Date, we noted that the shareholding in the Company held by the existing public Shareholders would remain approximately 90.44%.

Immediately after completion of the Rights Issue, assuming (i) none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all Unsubscribed Rights Shares have been placed by the Placing Agent; or (ii) none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares, all Unsubscribed Rights Shares have not been placed by the Placing Agent, and the Underwriter takes up all the Untaken Share, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 90.44% as at the Latest Practicable Date to approximately 36.18%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is below the range of that of the Comparables; (iv) the terms of the Rights Issue (together with the Underwriting Agreement and the Placing Agreement) are fair and reasonable so far as the Independent Shareholders are concerned; (v) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (vi) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be applied for, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that although the entering into of the Underwriting Agreement and the Placing Agreement were not in the ordinary and usual course of business of the Group, the terms of the Rights Issue (together with the Underwriting Agreement and the Placing Agreement) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholder as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the relevant resolution for approving the Rights Issue at the EGM.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: 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.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**2022 Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**2023 Financial Statements**"); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "**2024 Financial Statements**"); and (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2025 (the "**2025 Interim Financial Statements**"), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2022 Financial Statements are set out on pages 44 to 143 of the annual report of the Company for the year ended 31 December 2022, which was published on 27 April 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042704558.pdf

The 2023 Financial Statements are set out on pages 47 to 135 of the annual report of the Company for the year ended 31 December 2023, which was published on 30 April 2024 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043003152.pdf

The 2024 Financial Statements are set out on pages 52 to 135 of the annual report of the Company for the year ended 31 December 2024, which was published on 29 April 2025 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042904292.pdf

The 2025 Interim Financial Statements are set out on pages 1 to 16 of the interim report of the Company for the six months ended 30 June 2025, which was published on 23 September 2025 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0923/2025092300278.pdf

2. NO MATERIAL CHANGE

The Directors confirm that, save as the Company proposed to conduct the Rights Issue to raise estimated net proceeds of approximately HK$32.0 million and disclosed in the paragraph headed "5. Business Trend and Financial and Trading Prospects" below in this Appendix, there has been no material change in the financial or trading positions or outlook of the Group since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

3. INDEBTEDNESS

As at the close of business on 30 September 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, apart from the intra-group liabilities:

a) the Group had outstanding (i) secured and/or guaranteed bank loans, amounting to RMB35.0 million, with interest bearing from 2.4% to 3.4% per annum and repayable in year 2026; (ii) unsecured and unguaranteed corporate bond amounting to approximately RMB2.7 million, with interest bearing at 8% per annum and repayable in August 2027; (iii) unsecured and unguaranteed other borrowing amounting to approximately RMB1.8 million, with interest bearing at 8% per annum and repayable in May 2026; and (iv) unsecured and unguaranteed lease liabilities of approximately RMB2.6 million, representing the present value of the remaining lease payments of certain premises; and

b) the Group had pledged (i) an investment property situated in the PRC of approximately RMB3.2 million; (ii) a leasehold land situated in the PRC of approximately RMB2.2 million; and (iii) personal guarantee given by a director of the Company and his spouse in order to secure bank facilities.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 30 September 2025, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since indebtedness; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, the Company has obtained a working capital sufficiency confirmation letter from its auditor as required under Rule 9.20(1) of the Listing Rules. The Directors are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds, credit facilities, cash and cash equivalents on hand and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital to satisfy its requirements for at least twelve months from the date of this Circular.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the manufacture and sale of non-woven fabric related products used in automotive interior decoration parts and other parts.

According to the latest statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles in the PRC were approximately 2,441,000 units and 2,536,000 units respectively for the six months ended 30 June 2025, representing an increase of approximately 12.1% and 14.5% as compared with the corresponding period of 2024. The Group expected that this trend will continue and the production and sales of passenger vehicles in the PRC will record an steady growth in 2025.

For the six months ended 30 June 2025, the Group's revenue increased to approximately RMB64.3 million, compared to approximately RMB49.5 million in the corresponding period in 2024, representing an increase of approximately 29.9%. The increase in the Group's revenue was mainly attributable to the improvement of the business environment of the Group during the six months ended 30 June 2025. For the six months ended 30 June 2025, the gross profit of the Group increased by RMB1.4 million to approximately RMB9.7 million. The increase was mainly due to the increase in revenue of Group's business of manufacture and sale of non-woven fabric related products. As a result, the loss attributable to the owners of the Company for the six months ended 30 June 2025 decreased by 84.4% to approximately HK$2.5 million, as compared with the corresponding period of 2024.

As the Group's products are ultimately used in passenger vehicles, the prospect of the Group is still promising. To maintain a steady pace of development, the Group will continuously deploy its resources on:

(1) upgrading the production lines in order to improve the production efficiency;

(2) installing new machineries to suit the customers' varying requirements and demands on high-end products;

(3) conducting research and development to keep up with the latest technological trends in relation to product specifications;

(4) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric industry in the PRC; and

(5) identifying new customers so as to diversify the Group's customers base.

Apart from focusing on its existing business, the Group has kept abreast of any other potential investment opportunities, which shall be with a profitable potential and an investment size manageable by the Group, so as to enhance the value of investment of its Shareholders.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Introduction

The following unaudited pro forma statement of adjusted condensed consolidated net tangible assets of the Group attributable to the owners of the Company (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circular" issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effect of the Rights Issue on the condensed consolidated net tangible assets of the Group as at 30 June 2025 attributable to the owners of the Company as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the condensed consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2025 or at any future date; and

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2025 is prepared by the Directors based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2025, extracted from the Group's condensed consolidated financial statements for the six months ended 30 June 2025, on which an interim report has been published, with adjustments described below.

	Unaudited condensed consolidated net tangible assets attributable to owners of the Company as at 30 June 2025	**Unaudited estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted condensed consolidated net tangible assets attributable to owners of the Company as at 30 June 2025 immediately after the completion of the Rights Issue**	**Unaudited condensed consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2025 before the completion of the Rights Issue**	**Unaudited pro forma adjusted condensed consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2025 immediately after the completion of the Rights Issue**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*RMB*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on three Rights Shares to be issued for every two existing shares at the Subscription Price of HK$0.13 per Rights Share	251,027	29,440	280,467	1.43	0.64

Notes:

1. The condensed consolidated net tangible assets of the Group attributable to owners of the Company of approximately RMB251,027,000 as at 30 June 2025 is based on the condensed consolidated net assets of the Group attributable to owners of the Company as at 30 June 2025 of approximately RMB251,027,000, as extracted from the published interim report of the Group for the six months ended 30 June 2025.

2. The estimated net proceeds from the Rights Issue of approximately HK$32,000,000 (equivalents to RMB29,440,000) are based on three Rights Shares for every two existing shares to be issued at the Subscription Price of HK$0.13 per Rights Share and after deducting estimated related expenses, including among others, placing commission, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK$2,100,000 (equivalents to RMB1,932,000).

3. The calculation of unaudited condensed consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2025 per Share before the completion of the Rights Issue is based on the unaudited condensed consolidated net tangible assets of the Group as at 30 June 2025 of approximately RMB251,027,000, divided by 175,115,104 Shares in issue as at 30 June 2025.

4. The calculation of unaudited pro forma adjusted condensed consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2025 per Share immediately after the completion of the Rights Issue is based on unaudited pro forma adjusted condensed consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2025 immediately after the completion of the Rights Issue of approximately RMB280,467,000, being the aggregate unaudited condensed consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2025 of approximately RMB251,027,000 and the estimated net proceeds from the Rights Issue of approximately RMB29,440,000, divided by 437,787,760 Shares which represents the sum of 175,115,104 Shares in issue and 262,672,656 Rights Shares (assuming no new shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after the completion of the Rights Issue, as if the Rights Issue had been completed on 30 June 2025.

5. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2025.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Infinity CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Circular.

INFINITY 致寶信勤

Infinity CPA Limited
Room 1501, 15/F., Olympia Plaza
255 King's Road, North Point, Hong Kong

The Board of Directors of
China Automotive Interior Decoration Holdings Limited

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Automotive Interior Decoration Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted condensed consolidated net tangible assets as at 30 June 2025 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 27 October 2025 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of three rights shares ("**Rights Share(s)**") for every two existing shares of the Company ("**Share(s)**") at the subscription price of HK$0.13 per rights share (the "**Rights Issue**") on the Group's condensed consolidated financial position as at 30 June 2025 as if the Rights Issue had taken place at 30 June 2025. As part of this process, information about the Group's condensed consolidated financial position has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for the six months ended 30 June 2025, on which an interim report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2025 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the Rights Issue, and to obtain sufficient appropriate evidence about whether:

- The unaudited related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the Rights Issue in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Infinity CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date were; (b) immediately after the completion of the Rights Issue (assuming no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue) will be, as follows:

(a) As at the Latest Practicable Date:

Authorised share capital:		*HK$*
40,000,000,000	Shares of HK$0.025 each	1,000,000,000.00
Issued and paid-up share capital:		
175,115,104	Shares of HK$0.025 each	4,377,877.60

(b) Immediately after the completion of the Rights Issue (assuming no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue):

Authorised share capital:		*HK$*
40,000,000,000	Shares of HK$0.025 each	1,000,000,000.00
Issued and paid-up share capital:		
175,115,104	Shares of HK$0.025 each	4,377,877.60
262,672,656	Rights Shares to be allotted and issued upon completion of the Rights Issue	6,566,816.40
437,787,760	Total Shares in issue immediately after completion of the Rights Issue	10,944,694.00

All of the Rights Shares to be issued will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no options outstanding under the share option scheme or outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the period commencing on 11 March 2025 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share *HK$*
31 March 2025	0.158
30 April 2025	0.149
31 May 2025	0.233
30 June 2025	0.250
31 July 2025	0.177
31 August 2025	0.175
10 September 2025 (the Last Trading Day)	0.185
22 October 2025 (the Latest Practicable Date)	0.162

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 11 March 2025 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$0.138 on 14 April 2025 and HK$0.340 on 19 May 2025 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long position in Shares and underlying shares of the Company

Name of Director	Nature of interests	Interest in Shares	Approximate percentage of issued Shares
Mr. Zhuang Yuejin	Beneficial owner	15,164,800	8.66%
Ms. Xiao Suni	Beneficial owner	790,000	0.45%
Ms. Zhu Chunyan	Beneficial owner	790,000	0.45%

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, the Directors were not aware of any persons (other than a Director or a chief executive of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and/or his/her respective close associates had a material interest, either directly or indirectly, in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

8. DIRECTORS' INTEREST IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors had any business or interest that competes or may compete with the business of the Group and had any other conflict of interest with the Group.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company to be pending or threatened by or against any member of the Group.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualifications
Infinity CPA Limited	Certified Public Accountants
Vinco Financial Limited	a corporation licensed to carry out Type 1 (dealing securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts did not have any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts did not have any direct or indirect interest in any assets which had been, since 31 December 2024 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the Latest Practicable Date and are or may be material:

1. the tenancy agreement dated 26 June 2025 entered into between an indirect wholly-owned subsidiary of the Company as lessee and a state-owned company as lessor in relation to the tenancy of the industrial complex situated at No. 6, No. 11, Tianxing Avenue, Shuangqiao Economic and Technological Development Zone, Chongqing, the PRC;

2. the Placing Agreement; and

3. the Underwriting Agreement.

12. EXPENSES

The expenses in connection with the Rights Issue, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK$2.1 million, which are payable by the Company.

13. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

14. CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit A, 7/F., Max Share Centre 373 King's Road North Point Hong Kong
Authorised representatives	Mr. Zhuang Yuejin Mr. Man Yun Wah
Company secretary	Mr. Man Yun Wah Associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute
Legal adviser to the Company as to Hong Kong laws	Tsun & Partners Suite 1408A, 14/F West Tower, Shun Tak Centre 200 Connaught Road Central Hong Kong

Independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the Underwriting Agreement	Vinco Financial Limited Unit 2602, 26/F The Center 99 Queen's Road Central Hong Kong
Reporting accountants	Infinity CPA Limited Certified Public Accountants Room 1501, 15/F Olympia Plaza 255 King's Road North Point Hong Kong
Placing agent	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Underwriter	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Principal share registrar	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Principal bank

Industrial and Commercial Bank of China
Wuxi Xi Shan Sub-branch
Ying Bin North Road
Dong Ting Town
Xi Shan District
Wuxi City
the PRC

15. PARTICULARS OF DIRECTORS OF THE COMPANY

Executive Directors

Mr. Zhuang Yuejin ("**Mr. Zhuang**"), aged 62, is the Chairman of the Board, Chief Executive Officer of the Company and founder of the Group. He was appointed as an executive Director on 12 April 2010. He has over 15 years of experience in the nonwoven textile industry. He is responsible for formulating the Group's corporate strategy, overseeing its production operations and the overall steering of the Group's strategic development.

Mr. Zhuang graduated from Xiamen Fisheries College in 1981 and was approved as a qualified engineer by the Intermediate Level Adjudication Committee of Xiamen City Marine Engineering Department in 1990. From 1997 to 2001, Mr. Zhuang was the director and the general manager of Xiamen Marine Industries (Group) Co., Limited, a PRC incorporated company and was previously listed on the Shenzhen Stock Exchange.

Mr. Ng Chung Ho ("**Mr. Ng**"), aged 49, was appointed as an executive Director on 27 December 2023. Mr. Ng has over 20 years of experience in corporate management and extensive experience and business networks in Hong Kong and the PRC. Prior to joining the Group, he was a chief executive officer of a insurance broker which is permitted to carry on businesses in general insurance and long term (including linked long term) insurance in Hong Kong.

Mr. Ng was also an executive chairman of Guangdong-Hong Kong-Macao Greater Bay Area Youth Society (粵港澳大灣區青年協會) and a director of the board in AD & FD POHL Mrs Cheng Yam On School.

Ms. Xiao Suni ("**Ms. Xiao**"), aged 41, was appointed as an executive Director on 14 October 2014. She has over 10 years of experience in the field of international trading and marketing. She holds a Bachelor of Arts degree from Nanjing Army Command College, the PRC with major in English. Prior to joining the Group, she worked for a door-window manufacturer in the PRC as foreign trade manager, in which her responsibilities focused on overall management of foreign sales and marketing.

Independent Non-executive Directors

Mr. Yuen Wai Keung ("**Mr. Yuen**"), aged 44, was appointed as an independent non-executive Director on 15 July 2024. He has approximately 20 years of accounting and finance related work experience and obtained a Master of Corporate Governance degree from The Open University of Hong Kong. He is a fellow member of the Institute of Financial Accountants, a member of The Institute of Certified Forensic Accountants and a member of The Hong Kong Chartered Governance Institute. Mr. Yuen is the independent nonexecutive director of Hao Bai International (Cayman) Limited (Stock code: 8431).

Ms. Ng Li La, Adeline ("**Ms. Ng**"), aged 46, was appointed as an independent non-executive Director on 4 September 2015. Ms. Ng has over 10 years of experience in human resources and corporate management. Ms. Ng obtained a Certificate of Human Resources Management from Hong Kong Baptist University in 2011 and was a senior administrative officer of a renowned international information technology company in Hong Kong.

Ms. Zhu Chunyan ("**Ms. Zhu**"), aged 48, was appointed as an independent non-executive Director on 2 September 2016. Ms. Zhu was graduated from Xiangtan University, China, with a bachelor's degree majoring in finance and accounting in July 1999. Prior to joining the Group, she worked for a sizable travel related services company in the PRC as an accountant and gained extensive knowledge in corporate finance and management.

Business address of the Directors

The business address of the Directors is the same as the Company's headquarters and principal place of business in Hong Kong at Unit A, 7/F., Max Share Centre, 373 King's Road, North Point, Hong Kong.

16. MISCELLANEOUS

The English text of this circular shall prevail over the respective Chinese text in the case of inconsistency.

17. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.hklistco.com/48) for 14 days from the date of this circular:

(a) the accountant's report issued by Infinity CPA Limited regarding the unaudited pro forma financial information as set out in appendix II to this circular;

(b) the written consents referred to in the paragraph headed "EXPERTS AND CONSENTS" in this appendix;

(c) the material contracts, referred in the paragraph headed "MATERIAL CONTRACTS" in this appendix;

(d) the recommendation from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular; and

(e) the letter from Vinco Financial, the text of which is set out on pages 40 to 67 of this circular.

* *For identification purpose only*

中 國 汽 車 內 飾 集 團 有 限 公 司

CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0048)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of shareholders of China Automotive Interior Decoration Holdings Limited (the "**Company**") will be held at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Friday, 14 November 2025 at 11:00 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 27 October 2025 (the "**Circular**")):

ORDINARY RESOLUTION

1. "**THAT** subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:

    (a) for the purpose of these resolutions, "Rights Issue" means the proposed issue by way of rights issue of up to 262,672,656 shares (the "**Rights Share(s)**") of HK$0.025 each in the capital of the Company at the subscription price of HK$0.13 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear in the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the "**Non-Qualifying Shareholders**") with registered addresses outside Hong Kong whom the Directors of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of three (3) Rights Share for every two (2) existing Share of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Underwriting Agreement (as defined below);

(b) the placing agreement dated 10 September 2025 (the "**Placing Agreement**") (copy of which, signed by the Chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked "**A**") entered into between the Company and Astrum Capital Management Limited in relation to the placing of the Rights Shares on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

(d) the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder."

2. "**THAT**:

(a) the underwriting agreement dated 10 September 2025 (the "**Underwriting Agreement**") (copy of which, signed by the Chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked "**B**") entered into between the Company and the Underwriter in relation to the Rights Issue and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the Untaken Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified;

(b) the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Underwriting Agreement, and the transactions contemplated thereunder."

By order of the Board
China Automotive Interior Decoration Holdings Limited
Zhuang Yuejin
Chairman and Executive Director

Hong Kong, 27 October 2025

Notes:

(a) Shareholders are recommended to read the Shareholders' circular dated 27 October 2025 issued by the Company (the "**Circular**"), which contains important information concerning the resolutions proposed at the EGM being convened by this notice. Unless the context requires otherwise, capitalised terms used in this notice shall have the same meaning given to them in the Circular, of which this notice forms part.

(b) In order to be valid, the proxy form, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable but in any event no later than Wednesday, 12 November 2025 at 11:00 a.m. (Hong Kong time), or any adjournment thereof. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the EGM or at any adjournment thereof (as the case may be) if he/she so wishes.

(c) In order to ascertain the entitlements to vote at the EGM, the register of members of the Company will be closed from Tuesday, 11 November 2025 to Friday, 14 November 2025 (both dates inclusive), during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the above meeting (or at any adjournment of it), all relevant transfer document(s) and share certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 11:00 a.m. on Wednesday, 12 November 2025.

(d) In the case of joint registered holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint registered holder(s). For this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant holding.

(e) The voting on the proposed resolutions as set out in this notice will be taken by poll at the EGM.

(f) If at any time after 7:00 a.m. on the date of the EGM, Typhoon Signal Number 8 or above or a Black Rainstorm Warning is hoisted or remains hoisted, the EGM will be postponed or adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.hklistco.com/48) to notify Shareholders of the date, time and place of the re-scheduled meeting. At least seven clear days' notice shall be given of the re-scheduled meeting.

(g) In the case of any discrepancy, the English version of this notice shall prevail over the Chinese version.

(h) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive Directors are Mr. Zhuang Yuejin, Mr. Ng Chung Ho and Ms. Xiao Suni, and the independent non-executive Directors are Mr. Yuen Wai Keung, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.