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# XXF GROUP HOLDINGS LIMITED
# 喜相逢集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2473)**

## SUPPLEMENTAL ANNOUNCEMENT REGARDING DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% OF THE ISSUED SHARE CAPITAL IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

**Financial Adviser to the Company**

華富建業企業融資
QUAM CAPITAL

Reference is made to the announcement of XXF Group Holdings Limited (the "**Company**") dated 4 August 2026 (the "**Announcement**") in relation to the Proposed Acquisition. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide further information in relation to the Proposed Acquisition as set out below.

### CONSIDERATION AND VALUATION

#### The Board's basis for concluding that the Consideration is fair and reasonable

The Company has had further discussions with the Vendor, and on 30 October 2026, the Company, the Vendor, the Target Company and Mr. He entered into a third supplemental deed to the Sale and Purchase Agreement (the "**Third Supplemental Deed**"), pursuant to which the parties agreed to, among other things, replace the cash compensation mechanism as disclosed in the Announcement with a new earn-out arrangement (the "**Earn-out Arrangement**"), and to provide further protections to the Company. Further details of the Earn-out Arrangement are disclosed in the section headed "Profit Guarantees and Earn-Out Arrangement" below.

Under the Earn-out Arrangement, the total consideration for the Proposed Acquisition of HK$149,986,000 shall comprise:

(i) a fixed consideration of HK$74,993,000 (50%), to be satisfied by the allotment and issue of 190,000,000 Consideration Shares to the Vendor upon Completion, credited as fully paid at the Issue Price (the "**Initial Consideration Shares**"); and

(ii) an additional contingent consideration of up to HK$74,993,000 (50%), to be satisfied by the allotment and issue of up to 190,000,000 additional Consideration Shares, subject to the earn-out conditions set out below (the "**Earn-out Shares**"). The Earn-out Shares are divided into two tranches: (i) a maximum of 105,526,000 FY2026 Earn-out Shares and (ii) a maximum of 84,474,000 FY2027 Earn-out Shares, as further described in the sections headed "FY2026 Earn-out Shares" and "FY2027 Earn-out Shares" below.

Accordingly, the maximum aggregate consideration for the Proposed Acquisition shall be HK$149,986,000, to be satisfied by the allotment and issue of a maximum of 380,000,000 Consideration Shares.

Only the Initial Consideration Shares shall be allotted and issued upon Completion. The Earn-out Shares shall not be allotted or issued upon Completion and shall only be allotted and issued to the extent earned in accordance with the provisions set out in the section headed "Profit Guarantees and Earn-Out Arrangement" below. For the avoidance of doubt, any failure to meet the relevant earn-out targets shall result in a reduction in, or non-issuance of, the Earn-out Shares and, in the case of FY2026 only, shall also require the Vendor to pay the FY2026 Cash Compensation (as defined below) in the circumstances described in the section headed "Compensation for FY2026" below. The Vendor shall not be required to return any Initial Consideration Shares.

The Board, in concluding that the Consideration of HK$149,986,000 is fair and reasonable, has taken into account the following factors relating to the disparity between the Consideration and the purchase price paid by the Vendor in the Recent Acquisition, Xinqite's net liabilities position as at 30 June 2026, and Xinqite's marginal profit for FY2025.

***(a) Nature of the Recent Acquisition***

The Board is of the view that the acquisition by the Vendor of (i) the entire issued share capital of the Target Company from PAGAC Relay (the seller under the Vendor SPA, the "**Seller**") under the Vendor SPA dated 15 July 2026 for a consideration of RMB35,000,000, and (ii) the Xinqite Shareholders Loans from the Seller's related parties (namely 上海鳴潤商務諮詢有限公司 and 南京易自助網絡科技有限公司) for a cash consideration of RMB1 (the "**Recent Acquisition**") was a management restructuring exercise whereby Mr. He (being the vice chairman and general manager of Xinqite since September 2005 and holds 1.5% equity interest in Xinqite), through the Vendor, acquired the entire issued share capital of the Target Company and the Xinqite Shareholders Loans from the Seller and its related parties (namely 上海鳴潤商務諮詢有限公司 and 南京易自助網絡科技有限公司). The Xinqite Shareholders Loans are owed by Xinqite to 上海鳴潤商務諮詢有限公司 and 南京易自助網絡科技有限公司, being entities associated with the then ultimate controlling shareholder group of Xinqite.

Based on the information and the representations provided by Mr. He and the Vendor, the Board notes that Mr. He was able to negotiate the purchase price under the Recent Acquisition (the "**Vendor Acquisition Price**", being RMB35,000,000 for the entire issued share capital of the Target Company plus RMB1 for the Xinqite Shareholders Loans) due to: (i) his intimate familiarity with the Seller, Xinqite's operations and risks; (ii) the absence of any conditions precedent to completion and the absence of any indemnity or warranty obligations from the Seller in connection with the historical, operational and financial situation of the Target Group (apart from a clause on no undisclosed liabilities), owing to the Seller's condition to exit its investment without any future liabilities or obligations after a prolonged period of losses; (iii) the absence of any performance guarantee; and (iv) the Seller's desire to exit its under-performing investment in the Xinqite Group imminently as the holding period has already passed the internal holding period policy. Accordingly, the Board is of the opinion that the Vendor Acquisition Price does not reflect the fair market value of the Target Group since all of the factors (i) to (iv) would result in a discount off the fair market value, and does not consider that the Vendor Acquisition Price serves as an appropriate benchmark for the terms of the Proposed Acquisition.

The Board does not believe it could accept the terms of the Recent Acquisition (save for the Vendor Acquisition Price), as they do not provide sufficient protection to the Group. The Board further considers it could not negotiate a purchase price similar to the Vendor Acquisition Price to successfully conclude a transaction with the Seller for the Target Group, as the Company would request indemnities, representations and warranties for the Target Group similar to those in comparable acquisitions, a lengthier negotiation and discussion process, as well as performance guarantees from the Seller, in order to protect the Group and the Shareholders from the potential risks of acquiring the Target Group. In addition, the Board believes it may not be able to keep the current management team of the Target Group intact, or may be required to incur additional costs to do so, if it were to purchase the Target Group directly from the Seller (as the Seller did not entertain any conditions or obligations). The Board considers management continuity to be critical for the Target Group to sustain its resurgence. The terms of the Proposed Acquisition locked down the management through Mr. He and removed a significant sustainability risk. As at the date of this announcement, the Recent Acquisition has been completed.

The Board has given further consideration to the disparity between the Vendor Acquisition Price and the Consideration, having regard to the following factors as a whole:

(i) the Sale and Purchase Agreement contains comprehensive representations and warranties and indemnities from the Vendor, the Target Company and Mr. He covering, among others, title to the Sale Share, the Target Group's shareholding structure and paid-up capital, financial statements and management accounts, assets and liabilities, tax compliance, material contracts and licenses, intellectual property, compliance and litigation, and management and staff. Mr. He has also provided a personal, joint and several guarantee for all obligations of the Vendor under the Sale and Purchase Agreement for a period of six years;

(ii) the Sale and Purchase Agreement requires Mr. He to remain employed in the Target Group for at least 36 months and to procure that the core management team also remain for at least 36 months, together with three-year non-compete and non-solicitation undertakings. The Board considers this essential to the stability and continued improvement of the Target Group, and considers that the continued involvement of Mr. He and the core management team is important to the realisation of the benefits of the Proposed Acquisition. In this regard, Mr. He has already entered into a three-year service contract with the Target Group as at the date of this announcement, and the core management team of the Target Group will enter into three-year service contracts with the Target Group prior to Completion, in each case on the same remuneration terms as their existing employment terms;

(iii) the Vendor and Mr. He have provided the Guaranteed Profit and adjustments as disclosed in the Announcement and below. The Board considers that the Guaranteed Profit and adjustments provide significant downside protection to the Company and the Shareholders, as the adjustments to the Consideration ensure that the actual amount received by the Vendor will be reduced if the audited consolidated profit after taxation of Xinqite falls below the Guaranteed Profit. For example, if the audited consolidated profit after taxation of Xinqite for each of 2026 (adjusted for the Interest Savings) and 2027 is RMB4 million, mimicking a consideration that would have been paid with no profit guarantee under the current mechanism, the adjusted Consideration will be about HK$67.8 million, representing a P/E of about 15.4 times based on RMB4 million (which is about the 2025 profit after taxation of the Target Group as adjusted for the Interest Savings) (calculated using an exchange rate of RMB1.00 = HK$1.16 (the "**Exchange Rate**")). If the audited consolidated profit after taxation of Xinqite for each of 2026 and 2027 meets the Guaranteed Profit, the Consideration will be the full amount of HK$149,986,000 and represents a P/E of no more than about 15.13 times based on the 2027 Guaranteed Profit of RMB9 million (based on the Exchange Rate). These multiples are much lower than the adjusted median P/E multiple of 28.99x used in the valuation; and

(iv) the Vendor will acquire the Xinqite Shareholders Loans (in the aggregate amount of approximately RMB204.27 million as at 30 June 2026) for RMB1, and will waive those loans upon Completion. Under the Recent Acquisition, the Vendor acquired the Xinqite Shareholders Loans for RMB1, but the loans were not waived at that time. Xinqite continues to bear the repayment obligation of principal and interest so long as the loans remain outstanding. Under the Proposed Acquisition, the Vendor will waive those loans upon Completion. This removes significant interest-bearing liabilities from Xinqite and eliminates the related ongoing interest expense. However, the Board stresses that this is only one of the factors being considered.

The Board assessed the representations and warranties obtained under the Sale and Purchase Agreement as part of the overall package of the protective terms, which also includes the Profit Guarantees, the joint and several liability of the Vendor and Mr. He, the personal guarantee of Mr. He, the net tangible asset covenant and the management retention arrangements. In determining the representations and warranties to be sought, the Board consulted the Company's legal and financial advisers and, having regard to their experience in comparable acquisition transactions and the protections customarily sought by a purchaser to protect its interests, requested that the relevant representations, warranties and indemnities be included in the Sale and Purchase Agreement. On that basis, the Board considers that the representations, warranties and indemnities are fair and reasonable and adequately protect the Company against the operational and financial risks associated with the acquisition of the Target Group.

The Board does not consider that the fairness and reasonableness of the Consideration can be assessed by reference to any single term in isolation. The Board therefore did not attribute a standalone monetary value to the representations and warranties or to any other individual protective term. The Board considered that the protections obtained, taken as a whole, were necessary for the Company to proceed with the Proposed Acquisition, and that the Company would not have entered into the Sale and Purchase Agreement in their absence, in particular, the representations, warranties and indemnities.

The Board is of the opinion that the Vendor Acquisition Price was not a fair and reasonable market price arrived at on normal commercial terms (a "**Normal Market Price**") and is not comparable to the Consideration as the following factors would have resulted in discounts to a Normal Market Price (and for factor (iii) a discount of Normal Market Price to the acquisition price): (i) a management buy-out ("**MBO**"); (ii) the absence of representations, warranties or indemnities; (iii) the absence of a performance guarantee; and (iv) a private equity fund exiting an under-performing investment under pressure.

Based on market research, the primary reasons why an acquisition price is generally negotiated at a discount to a Normal Market Price (or a Normal Market Price being at a discount) are set out below.

*(i) MBO*

The purchase price of a MBO generally reflects a discount compared to a Normal Market Price because there are typically fewer representations, warranties and indemnities needed, much less due diligence required, lower transaction expenses (as less due diligence and representations, warranties and indemnities leading to easier document preparation and negotiation), a faster execution timeframe, and a higher deal certainty, which are favourable to the seller.

For an MBO, the discount is generally likely to be at the higher end where competition is weaker, the sale process is tilted or buyer-friendly, the management has superior knowledge of and importance to the target business, the management is a net buyer, outside bidders receive limited time and information, the board's sale process is weak, the management's cooperation with other bidders is lacking, the buyer has last-look rights, disinterested shareholder approval is absent, and the bidder has strong bargaining power and financial resources.

Conversely, the discount is generally likely to be at the lower end where competition is stronger, the sale process is fairer, the management is a net seller, outside bidders receive more time and information, the board conducts a robust sale process, the management cooperates with other bidders, there are no last-look rights, disinterested shareholders approve the transaction, and the bidder has weaker bargaining power and financial resources.

*(ii) No representations, warranties or indemnities*

The purchase price of a transaction without representations, warranties or indemnities generally reflects a discount to the Normal Market Price as all the post-closing risk is passed on to the buyer, which is favourable to the seller.

For the absence of representations, warranties or indemnities, the discount is generally likely to be at the higher end where the transaction is riskier, known liabilities exist, due diligence is limited, the transaction is larger and more complex, industry and regulatory risks are higher, and the target's financial condition is weaker.

Conversely, the discount is generally likely to be at the lower end where the transaction is cleaner, due diligence is more comprehensive, risk is lower, the transaction is smaller and simpler, industry and regulatory risks are lower, and the target's financial condition is stronger.

The financial adviser further advised that the absence or lack of sufficient representations, warranties and/or indemnities often leads to failed consummation of transactions. Accordingly, its importance to a buyer is more than just the economic value suggested by the discount range.

*(iii) Absence of performance guarantee or equivalent downside protection*

The purchase price of a transaction without performance guarantee or equivalent downside protection generally reflects a discount to a transaction that has a performance guarantee, as the buyer receives downside risk protection. The economic value of a performance guarantee is transaction-specific and depends on multiple factors, including the length of the guarantee period, the level and achievability of the guaranteed profit targets, the magnitude of the vendor's potential compensation exposure, the effectiveness and enforceability of the compensation mechanism, and the extent to which the guarantee bridges information asymmetry between the purchaser and the vendor. A longer guarantee period, higher and achievable guaranteed profit targets, and a more substantive compensation mechanism would generally increase the economic value of the performance guarantee to the purchaser.

For the absence of a performance guarantee or equivalent downside protection, the discount is generally likely to be at the higher end where there is no guarantee or only a weak guarantee, the guarantee period is shorter, the guaranteed profit targets are lower or less achievable, the vendor's compensation exposure is limited, the compensation mechanism is weak or difficult to enforce, and the guarantee does little to bridge information asymmetry between the purchaser and the vendor.

Conversely, the discount is generally likely to be at the lower end where the guarantee period is longer, the guaranteed profit targets are higher and achievable, the compensation mechanism is substantive, effective and enforceable, and the guarantee meaningfully bridges information asymmetry.

*(iv) A private equity fund exiting an under-performing investment under pressure*

The purchase price of an exit of an under-performing asset by a private equity fund under pressure generally reflects a discount to a Normal Market Price as it is approaching or approached forced clearing under internal policies and unwillingness to invest further into the asset.

For a transaction where a private equity fund disposes of an under-performing investment under pressure, the discount is generally likely to be at the higher end where asset quality is poor, the asset is a legacy or tail-end investment, the seller is under urgency and has weak bargaining power, information asymmetry is significant, buyer competition is limited, buyers are powerful or financially constrained, macro volatility and exit uncertainty are high, the sale process is rushed or buyer-friendly, deferred or structured consideration is used, and distress, opacity and bargaining imbalance are more pronounced.

Conversely, the discount is generally likely to be at the lower end where asset quality is better, the asset is not a legacy or tail-end investment, the seller is not under urgency and has stronger bargaining power, information asymmetry is lower, buyer competition is greater, buyers are less powerful or less financially constrained, macro conditions are stable with a clear exit path, the process is orderly, consideration is paid fully in cash, and distress, opacity and bargaining imbalance are less pronounced. The Company also notes that a discount at the higher end for this factor may result in the private equity fund's realised return falling below its target internal rate of return.

The Board agrees with the analysis set out above. The Company believes that the negotiation of a purchase price takes into account various factors and does not rely on precise discount percentages in the same way as preparing a valuation model. The discount ranges have been set out to support the Board's view that the Vendor Acquisition Price was not a Normal Market Price. However, in order to illustrate the magnitude of the impact of these discounts leading to the disparity between the Vendor Acquisition Price and the Consideration, the Company has set out below, for reference purpose, an attempt to quantify a range for the Normal Market Price based on the Vendor Acquisition Price and the above discounts.

Taking all the above into account, the Board is of the view that the disparity between the Vendor Acquisition Price and the Consideration is justified, and that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The reference to "under-performing" in the context of the Seller's investment was from the perspective of the Seller (a private equity fund), as the investment had not generated any return meeting the Seller's internal investment return requirements during a long holding period despite substantial investments made by the Seller. It was not intended to suggest that the Target Group is not viable or lacks future prospects under different ownership and management. The Board considered the Proposed Acquisition on its own merits, having regard to the valuation prepared by the Independent Valuer, the reasons and benefits of the Proposed Acquisition, and the protections obtained under the Sale and Purchase Agreement (including the representations and warranties, indemnities, management retention and the Profit Guarantees). The Board believes that under the Company's ownership, with the benefit of synergies with the Group's existing automobile finance and retail businesses, the Target Group represents a promising investment for the Company.

***(b) Net liabilities position***

The Board understands that the net liabilities position of Xinqite as at 30 June 2026 was primarily the result of (a) short-term loans; (b) trade payables; (c) advance payments; and (d) other payables (which included the Xinqite Shareholders Loans). When considering the net liabilities position of Xinqite, the Board has taken into account the following:

- the short-term loans comprise bank loans which are unsecured, without guarantees by shareholders and mainly of one-year term. The Target Group has generally been able to extend these loans;

- the Target Group has been settling its trade payables in accordance with their terms in general and enjoys a good and stable relationship with its suppliers and landlords;

- the advance payments primarily relate to purchases of coupons and packages from customers for future services, and the Target Group has not experienced any repayment requests from customers that are material to its operations; and

- the balance of the other payables after deducting the Xinqite Shareholders Loans mainly relates to loan(s) owed to NTS, and other payables arising from daily operations.

The Board therefore believes that these items do not pose significant liability risks to the Target Group, and that the Target Group is operating on a going concern basis. Accordingly, the Board focused on the potential profit contribution from the Target Group when assessing its value.

From a capital perspective, the Board notes that Xinqite's adjusted unaudited net liabilities as at 30 June 2026 (being unaudited net liabilities of about RMB345.6 million and adding back about RMB204.3 million pursuant to the waiver of the Xinqite Shareholders Loans) were approximately RMB141 million. This position arose primarily from accumulated historical losses of approximately RMB573 million as at 30 June 2026, as the Target Group experienced a period of challenging circumstances from 2014 to 2024 following the change of its controlling shareholder.

According to Mr. He, such losses of the Target Group under the Seller's ownership were mainly as a result of the following:

(i) a major inventory write-down and the write-off of outstanding loans owed by the original majority shareholder, and the adverse operational impact arising from the departure of certain senior management members, resulting in a period of management instability, soon after the then controlling shareholder's acquisition in 2014;

(ii) the Target Group over-expanded in the first few years under the then controlling shareholder's ownership and absorbed stores in the same businesses from another operation within its group. Many stores underperformed and led to increased losses. The Target Group also incurred losses in the closure of underperforming stores;

(iii) the Target Group's operations were severely disrupted during the three-year pandemic period from 2020 to 2022, during which stores were required to be closed or operate at reduced capacity. In or around January 2023, following the lifting of pandemic restrictions in December 2022, none of the Target Group's stores was in operation and significant time was required to rebuild the operations involving substantial costs; and

(iv) the Target Group incurred the Xinqite Shareholders Loans to continue its operations, incurring substantial interest expenses.

The Board notes that the Target Group has transitioned from a net loss of approximately RMB3.30 million in FY2024 to a breakeven position in FY2025, and further to a net profit of approximately RMB0.74 million for the six months ended 30 June 2026 (or approximately RMB2.13 million on an adjusted basis, assuming waiver of the Xinqite Shareholders Loans and the consequential elimination of the entire relevant interest expense). Had the Xinqite Shareholders Loans been waived at the beginning of these periods, the interest saved would have been approximately RMB5.28 million, RMB4.00 million and RMB1.39 million for FY2024, FY2025 and the six months ended 30 June 2026 respectively, and the adjusted unaudited profit after taxation of Xinqite would have been approximately RMB1.98 million, RMB4.00 million and RMB2.13 million respectively. Based on the Board's understanding from the management of Xinqite, the turnaround resulted from various measures being implemented as disclosed below:

(a) the Xinqite Group has completed the rationalisation of its store network, reducing the number of stores from approximately 40 to 50 stores to the 24 stores currently in operation. The stores closed were principally underperforming or loss-making stores, and the remaining stores are those with positive contribution. The Board considers that the nonrecurring losses and ongoing cash outflow associated with the closed stores have been substantially eliminated;

(b) amidst improving performances of the stores, the Xinqite Group has piloted a refined operating model since the second half of 2025 to further enhance efficiencies and reoriented its service offering at one of its stores to focus on services common to both new energy vehicles and internal combustion engine vehicles (including improving the efficiency of key operating processes and promoting services with strong cash inflow, such as standard maintenance and car beauty services). That store has since exceeded its performance targets for more than a year. The Xinqite Group is now rolling out the refined operating model to its other stores;

(c) the Xinqite Group is attracting customer traffic through offline and online channels, including local promotions, rebuilding its membership programme and digital marketing; and

(d) the Xinqite Group is upgrading its customer relationship management system to enhance member management, customer tagging and repeat-purchase reminders, with a view to improving customer retention and customer lifetime value.

The Board considers that there is a reasonable basis to expect that the profitability of the Xinqite Group will further improve as the business efficiency and performance continue to be enhanced based on the above factors.

The Board further considers that the net liabilities position of the Xinqite Group will further improve after discussion with the management of Xinqite, based on the following factors:

(a) the elimination of the ongoing cash outflow associated with the closed stores (for example, losses and redundancy payments) referred to above has improved the Xinqite Group's profitability and cash flow position;

(b) the improvements to store efficiency and cash inflow under the refined operating model referred to above will result in improvements in both profitability and cash flow at the store level, and the model will be replicated across the Xinqite Group's other stores. This will improve the Xinqite Group's working capital metrics, including receivables turnover, inventory turnover and supplier payment terms, and a corresponding reduction in working capital requirements;

(c) the recovery of customer traffic and the increase in store-level revenue referred to above will strengthen and improve the liquidity of the Xinqite Group;

(d) a substantial portion of the historical net liabilities arose from non-recurring restructuring expenditure, including closure costs, asset impairments, severance payments and expenditure incurred in the past which is not expected to occur again under the current streamlined network and under the control and monitoring of the Company; and

(e) as disclosed in this announcement, the Xinqite Shareholders Loans in the aggregate amount of approximately RMB204.27 million as at 30 June 2026 will be waived by the Vendor upon Completion. This will remove significant interest-bearing liabilities from the Xinqite Group and eliminate the related ongoing interest expense. This improvement arises from a contractual arrangement and does not depend on the future profitability of the Xinqite Group.

The Board therefore believes that the net liabilities position of the Xinqite Group resulted from legacy issues and that the position will continue to improve. Following the waiver of the Xinqite Shareholders Loans, Xinqite will not need to obtain alternative debt financing to replace the loans, as the waiver removes the repayment obligation and the related interest expense, which improves Xinqite's financial position. Xinqite has maintained its banking relationships and has generally been able to roll over its short-term bank loans, and its trade payables are being settled in accordance with their terms. The waiver of the Xinqite Shareholders Loans will also reduce Xinqite's financing costs, as the related interest expense (approximately RMB36 million historically) will no longer be incurred. Accordingly, the Group believes that the Xinqite Group will be self-sustaining financially and does not intend to invest additional capital in Xinqite.

The Board wishes to note that its views set out above are not guarantees of the Xinqite Group's future performance. The Board's views are subject to the principal assumptions and risk factors disclosed in this announcement. Save for the waiver of the Xinqite Shareholders Loans referred to above, there is no assurance that the profitability or the net liabilities position of the Xinqite Group will in fact improve as described above. Shareholders and potential investors should not place undue reliance on such statements and are advised to exercise caution when dealing in the securities of the Company.

The Board therefore considers that the improving trend and the strategic benefits of the Proposed Acquisition as disclosed in the Announcement and herein support the fairness of the Consideration.

Having considered all the above factors (including the disparity between the Consideration and the Vendor Acquisition Price, and Xinqite's net liabilities position as at 30 June 2026), the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Further details of the valuation**

***(a) Whether the Vendor Acquisition Price was taken into account by the Independent Valuer***

The Board has considered whether the Vendor Acquisition Price should be taken into account in the valuation. The Board notes that the Independent Valuer has considered the Recent Acquisition but determined that the price paid therein does not represent a fair market value and therefore cannot serve as a reliable benchmark for the valuation. The Board has discussed this with the Independent Valuer and concurs with its view for the following reasons:

(i) the Recent Acquisition was a management restructuring exercise rather than an arm's length transaction concluded in the open market. The Vendor (through Mr. He) was the existing management of Xinqite and was able to negotiate a lower purchase price for the reasons disclosed above;

(ii) the Vendor Acquisition Price was determined with reference to the Seller's historical investment cost and the financial position of Xinqite at the time; and

(iii) in contrast, the Consideration under the Proposed Acquisition was negotiated on an arm's length basis between the Company and the Vendor, with the Vendor providing comprehensive warranties, indemnities and the Profit Guarantees to the Company, and the Company having conducted independent due diligence and obtained an independent valuation.

The Independent Valuer has further confirmed that, in accordance with the International Valuation Standards, fair value is defined as the price that would be received in an orderly, arm's-length transaction between market participants under current market conditions. The Independent Valuer explicitly evaluated the Recent Acquisition and determined that the consideration paid thereunder did not meet the criteria for an orderly transaction and was not a reliable valuation benchmark. In particular, the reasons include the fact that the Recent Acquisition was conducted as an internal management restructuring exercise involving Mr. He and the Vendor, was not an open-market transaction between independent third parties, and was executed in circumstances where the Seller had an urgent desire to exit following a prolonged period of operational losses. The low Vendor Acquisition Price was negotiated under exceptional circumstances, including Mr. He's intimate operational familiarity with the business, the absence of conditions precedent, seller indemnities, warranties and profit guarantees, and the buyer's assumption of all operational risks. Consequently, in line with recognized accounting and valuation principles on non-orderly transactions, the Independent Valuer concluded that the market comparison approach using adjusted peer P/E multiples represents the only objective, fair and compliant methodology to establish true fair market value.

Accordingly, the Board is of the view that the exclusion of the Recent Acquisition from the valuation is reasonable and that the valuation provides an objective and independent assessment of the fair value of Xinqite.

***(b) Detailed basis for adopting the P/E multiple as the valuation benchmark***

The Board has reviewed the Independent Valuer's methodology and, having discussed with the Independent Valuer, is satisfied that the P/E multiple is the most appropriate benchmark for the reasons set out below.

The P/E multiple was selected as the most appropriate valuation benchmark because (i) it directly reflects market expectations of a company's earnings capacity and future financial performance, and is the most widely accepted and commonly used valuation metric for peer comparison in the automotive service industry; (ii) the P/S (price-to-sales) multiple was considered but rejected because it ignores differences in cost structures and profitability among companies and, given that Xinqite has undergone significant restructuring and its profitability has now stabilised, a valuation metric based on earnings (rather than revenue) is more appropriate; and (iii) the P/B (price-to-book) multiple was also considered but rejected because it captures only tangible assets while omitting Xinqite's intangible strengths and competitive advantages, such as its established brand value, customer base, and management expertise.

The valuation is based on Xinqite's LTM earnings up to 30 June 2026, which reflects Xinqite's stabilised profitability following the restructuring and store portfolio optimisation described above. The LTM earnings period ending 30 June 2026 was utilised to accurately reflect Xinqite's current business value and profitability following its recent operational stabilisation. The LTM earnings contain no material non-recurring items and are therefore considered a reasonable and appropriate base for the P/E-based valuation. Furthermore, the transaction incorporates a profit guarantee mechanism to safeguard the performance and ensure sustainable earnings growth of the Target Group over the coming two fiscal years.

Xinqite's LTM net profit margin of approximately 2.8% (on an adjusted basis) falls within the range of the profitable comparable companies (which range from approximately 0.2% to 5.0%), thereby confirming that Xinqite's profitability has stabilised and that the P/E-based approach is reasonable and appropriate. In determining the LTM net profit, adjustments were made to reflect the full waiver of the Xinqite Shareholders Loans and the consequential elimination of related interest expenses, thereby aligning with the ongoing capital and post-transaction financial structure of the Target Group.

The Independent Valuer also reviewed alternative valuation methodologies, including the cost approach and the income approach, as potential cross-checks. The cost approach was disregarded because it assumes individual assets and liabilities can be separately valued, which is inappropriate for an operating company such as Xinqite. The income approach was rejected due to its heavy reliance on subjective management assumptions and financial forecasts that could distort the fair value assessment. Accordingly, the market approach using the P/E multiple was considered the only appropriate and reliable methodology for the valuation.

***(c) Details of the comparable companies, selection criteria, and rationale***

The comparable public companies were selected based on the following criteria:

(i) the primary business of the comparable public companies are automotive service and repair and related products, with over 50% of their revenues derived from these activities;

(ii) the comparable public companies are listed on major stock exchanges with the largest market capitalisation, namely the Hong Kong Stock Exchange, the stock exchanges in the PRC, the United States and Canada;

(iii) the financial information of the comparable public companies is publicly available; and

(iv) the comparable public companies have positive LTM earnings.

The Board considers the selection criteria to be appropriate. The stock exchanges of Hong Kong, the PRC, the United States and Canada are the largest major exchanges offering high liquidity, robust regulation, and the most comparable automotive service peers. The Independent Valuer has also confirmed that although major international exchanges including the Tokyo Stock Exchange (JPX) and the London Stock Exchange (LSE) were considered, no listed entities on these two exchanges met all of the strict selection criteria established by the Independent Valuer. The exclusion of loss-making companies is appropriate because positive LTM earnings is a prerequisite for meaningful P/E comparisons, particularly given Xinqite's own profitable status in the LTM period.

Based on the above criteria, an exhaustive set of four comparable companies was identified. No other companies meeting the selection criteria were excluded from the analysis. Details of the four comparable companies are set out below:

| No. | Company Name | Ticker | Principal places | Business Description | Business Segment | Currency | Market capitalization as of Valuation Date[1] | Latest Twelve Months Revenue[1] | Latest Twelve Months Earnings[1] | Net Asset Value[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | TUHU Car Inc. Class A | 9690-HK | China | TUHU Car, Inc. engages in the provision of online and offline platforms for automotive service. It offers automotive service demands ranging from tires and chassis parts replacement to auto maintenance, repair, and detailing. | – Tires & Chassis Parts: 42%<br>– Auto Maintenance: 37%<br>– Other: 21% | HKD'million | 9,649 | 17,859 | 454 | 5,629 |
| 2 | Boyd Group Services Inc | BYD-CA | Canada | Boyd Group Services, Inc. provides automotive collision and glass repair services. Its services include collision repair, glass replacement, and related automotive services. | – Automotive Collision Repair & Related Services: 100% | CAD'million | 3,737 | 4,643 | 18 | 2,409 |
| 3 | Valvoline, Inc. | VVV-US | United States and Canada | Valvoline, Inc. is a pure-play service provider focusing on preventive automotive maintenance. Under its core brand VIOC (Valvoline Instant Oil Change), the Company operates approximately 2,400 company-owned and franchised physical maintenance service centers across the United States and Canada. | – Oil Changes & Related Fees: 73%<br>– Others: 27% | USD'million | 5,043 | 1,858 | 94 | 353 |

| No. | Company Name | Ticker | Principal places | Business Description | Business Segment | Currency | Market capitalization as of Valuation Date[1] | Latest Twelve Months Revenue[1] | Latest Twelve Months Earnings[1] | Net Asset Value[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | Monro, Inc. | MNRO-US | United States | Monro, Inc. engages in the operation of chain stores that provide automotive undercar repair and tire services. It also offers services for brakes, mufflers and exhaust systems, and steering, drive train, suspension and wheel alignment. It operates under the brand names Monro Auto Service and Tire Centers, Tire Choice Auto Service Centers, Mr. Tire Auto Service Centers, Car-X Tire & Auto, Tire Warehouse Tires for Less, Ken Towery's Tire & Auto Care, Tire Barn Warehouse, and Free Service Tire and Auto Centers. | – Tires: 48%<br>– Maintenance: 27%<br>– Others: 25% | USD'million | 535 | 1,157 | 2 | 592 |

(1) Data sourced from FactSet and annual reports of comparable companies. The market capitalisation of the comparable companies is stated in their local currencies and computed based on the equity value of the companies as at 30 June 2026.

*Source: FactSet and annual reports of comparable companies.*

**Basis for considering the comparable companies comparable to Xinqite and adoption of median P/E multiple**

The Board considers that the comparable companies are genuinely comparable to Xinqite because, like Xinqite, they derive over 50% of their revenue from automotive service and repair, thereby sharing similar industry risks and return characteristics. The remaining differences in market capitalisation, operational scale, and financial performance are explicitly adjusted for within the valuation model through the size adjustment, marketability discount and control premium (as described further below). No other companies meeting the selection criteria were excluded from the analysis by the Independent Valuer.

The median P/E multiple was adopted because the median, as a measure of central tendency, is not affected by extreme values and is regarded as a better mid-point measure for skewed number distributions. The Board notes that Xinqite's LTM net profit margin is closely aligned with the range of the comparable companies' margin range, further reinforcing that the median is a fair and appropriate selection.

**Detailed basis for LoMD and control premium**

Lack of Marketability Discount (LoMD): LoMD reflects the fact that there is no ready market for shares in a privately held company. The P/E multiples adopted in the valuation were calculated from publicly listed companies, which represent marketable ownership interests. The fair value calculated using such P/E multiples therefore represents the marketable interest. A LoMD was accordingly applied to adjust the marketable interest fair value to a non-marketable interest fair value. The report "Stout Restricted Stock Study Companion Guide (2025 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a median marketability discount of approximately 15.7% for 783 transactions. The Board, having discussed with the Independent Valuer, considers a LoMD of 15.7% to be appropriate and suitable for the valuation, given Xinqite's status as a privately held company with no ready market for its shares and the size and nature of its operations.

Control Premium: A control premium is the amount that a buyer is willing to pay over the minority equity value of a company in order to acquire a controlling interest. The P/E multiples adopted in the valuation were calculated from publicly listed companies, which represent minority ownership interests. A control premium was accordingly applied to adjust the minority interest value to a controlling interest value. The report "Control Premium Study: 1st Quarter 2026" by FactSet Mergerstat, LLC, a reputable research company, suggested a median invested capital control premium of approximately 38.4%. The Board, having discussed with the Independent Valuer, considers a control premium of 38.4% to be appropriate and suitable for the valuation, given that the Company intends to acquire a controlling stake in Xinqite enabling strategic decisions, operational improvements, and synergies with the Group's existing businesses.

The formula combining the adjustments is: Adjusted multiple = adopted multiple × (1 – LoMD) × (1 + Control Premium).

**Detailed calculations of the size-adjusted P/E for each comparable company**

Historical returns on marketable securities indicate that small companies are riskier than larger companies. The valuation adjusts the P/E multiples of the comparable companies for size differences with reference to "Adjusting Guideline Multiples for Size" by Mattson, Shannon and Drysdale (published in September/October 2001 in Valuation Strategies), which is a methodology accepted and applied in the valuation profession.

The formula adopted is: Adjusted Multiple = 1/(1/Multiple + θ), where θ is the size differential. The size premium data is taken with reference to the Center for Research in Security Prices ("**CRSP**") Deciles Size Premia as of 31 December 2025, by Kroll – Cost of Capital Navigator. The applicable size premia extracted from the CRSP Deciles Size Premia are set out below:

| | **Market Value of Common Equity Breakpoint (USD Million)** | | |
|---|---|---|---|
| **Company Rank/Decile** | **Breakpoint (Lower)** | **Breakpoint (Upper)** | **Size Premium** |
| Mid Cap (3-5) | 4,237.16 | 20,493.88 | 0.42% |
| Low Cap (6-8) | 782.51 | 4,232.27 | 0.90% |
| Micro Cap (9-10) | 3.75 | 782.17 | 2.59% |

Based on Xinqite's market capitalisation, Xinqite falls within the Micro Cap (9-10) decile, corresponding to a target size premium of 2.59%. The size premium of 2.59% was determined with reference to Kroll's CRSP Deciles Size Premia as at 31 December 2025, under which Xinqite's implied market capitalisation places it within the Micro Cap (Deciles 9-10) category. The relevant CRSP decile categories and their corresponding USD market capitalisation thresholds and size premia are set out in the table above, namely:

- Mid Cap (Deciles 3-5): USD4,237.16 million to USD20,493.88 million, with an applicable size premium of 0.42%;

- Low Cap (Deciles 6-8): USD782.51 million to USD4,232.27 million, with an applicable size premium of 0.90%; and

- Micro Cap (Deciles 9-10): USD3.75 million to USD782.17 million, with an applicable size premium of 2.59%.

These categories reflect the market capitalisation segments defined by the CRSP decile ranking system. Mid Cap refers to mid-sized listed companies, Low Cap refers to smaller listed companies with lower market capitalisation, and Micro Cap refers to the smallest listed companies. Companies in the Micro Cap segment are generally considered to have higher investment risk and therefore attract a higher size premium, which is applied to adjust the valuation multiples derived from larger comparable companies to reflect Xinqite's business size and market profile.

The comparable companies' size premia are determined by reference to their respective market capitalisations as at the valuation date. The calculations for each comparable company are set out below:

| No | Comparable Companies | Stock Code | Currency | Market Capitalization[1,2] | Market Capitalization (USD'million)[1,2] | P/E (a) | Target Size Premium (b) | Comparable Size Premium (c) | Size Differential (θ = b – c) | Size Adjusted P/E |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | TUHU Car Inc. Class A | 9690-HK | HKD'million | 9,649 | 1,230 | 21.25x | 2.59% | 0.90% | 1.69% | 15.64x |
| 2 | Boyd Group Services Inc | BYD-CA | CAD'million | 3,737 | 2,634 | 205.35x | 2.59% | 0.90% | 1.69% | 45.94x |
| 3 | Valvoline, Inc. | VVV-US | USD'million | 5,043 | 5,043 | 53.93x | 2.59% | 0.42% | 2.17% | 24.85x |
| 4 | Monro, Inc. | MNRO-US | USD'million | 535 | 535 | 246.04x | 2.59% | 2.59% | 0.00% | 246.04x |

*Size Adjusted PE = 1/(1/a + θ)*

Monro, Inc. (MNRO-US) is treated as a statistical outlier and excluded from the calculation of the median P/E multiple, as its P/E multiple (246.04x) significantly deviates and exceeds the range of the other comparable companies (approximately 15.64x to 45.94x) and was deemed non- representative of fair market pricing and for valuation purposes. The median size-adjusted P/E excluding Monro, Inc. is 24.85x. The net profit margin of Xinqite falls within the market range of the comparable companies, confirming that the median P/E multiple provides a fair and representative indicator of central tendency by preventing extreme values from distorting the valuation outcome.

The 28.99x multiple was derived by taking the size-adjusted median P/E multiple of comparable companies (24.85x) and adjusting it for the lack of marketability and the control premium. After applying the LoMD of 15.7% and control premium of 38.4%, the adjusted median P/E multiple is 28.99x. Applying this multiple to Xinqite's LTM earnings of approximately RMB4.77 million yields an estimated 100% equity value of approximately RMB138.26 million (equivalent to approximately HK$160 million) and a 95% equity value of approximately HK$152 million.

**The Board's View on the Valuation**

Having reviewed the valuation report, the underlying methodologies, the key assumptions, the size adjustments, the selection of comparable companies, the exclusion of Monro, Inc. as a statistical outlier and the derivation of the adjusted P/E multiple, and having held detailed discussions with the Independent Valuer, the Directors confirm that the valuation methodology is appropriate and provides a reasonable basis for the valuation. The Directors also consider that the valuation has adequately taken into account Xinqite's current financial position, earnings stabilisation, and the post-transaction capital structure (including the waiver of the Xinqite Shareholders Loans). Accordingly, the Directors (including the independent non-executive Directors) confirm that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**CONSIDERATION SHARES**

**The Issue Price**

The Board is of the opinion that the Issue Price and the dilution effect on the shareholding interests of the public shareholders (the "**Dilution Effect**") should be considered together with the terms and merits of the Proposed Acquisition as set out in the Announcement as a whole. Additional factors considered by the Board in respect of the discount of the Issue Price to the market price and the benchmark price, as well as the Dilution Effect, are set out below.

The Issue Price of HK$0.3947 per Consideration Share was determined after arm's length negotiations between the Company and the Vendor, taking into account:

- the high volatility of the Shares, which started the year at HK$7.81, recorded a high of HK$15.96 and a low of HK$0.44, and closed at HK$0.505 as at the date of the Announcement, and experienced a continuous downward trend, representing a high investment risk;

- the closing price of the Shares was below HK$0.5 up to 3 August 2026, the trading day before the date of the Sale and Purchase Agreement;

- the Issue Price was negotiated between the Company and the Vendor during the last week of July 2026. During the period from 27 July 2026 to 31 July 2026, being the period during which the Issue Price was substantially negotiated, the average closing price of the Shares was approximately HK$0.451 per Share. Accordingly, the Issue Price of HK$0.3947 per Consideration Share represented a discount of approximately 12.5% to such average closing price, which was less significant than the discount of approximately 21.8% to the closing price on the date of the Sale and Purchase Agreement. The Board considered that the average closing price during the period in which the Issue Price was negotiated provided a relevant reference point in assessing the fairness and reasonableness of the Issue Price; and

- although the Issue Price represented a discount of approximately 21.8% to the closing price of HK$0.505 per Share as quoted on the Stock Exchange on 4 August 2026, being the date of the Sale and Purchase Agreement, the Board noted that there was an increase in the price of the Shares immediately prior to the signing of the Sale and Purchase Agreement. In particular, the closing price of the Shares increased from HK$0.460 per Share on 31 July 2026 to HK$0.505 per Share on 4 August 2026. As such, the discount represented by the Issue Price to the closing price on the date of the Sale and Purchase Agreement was calculated by reference to a closing price following such short-term increase.

**The Dilution Effect**

The Board has taken the following factors into account when considering the Dilution Effect arising from the allotment and issue of the Consideration Shares.

As disclosed in the Announcement, the Consideration Shares represent approximately 20.47% of the issued share capital of the Company as at the date of the Announcement and approximately 16.99% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum 380,000,000 Consideration Shares, assuming there is no other change in the issued share capital of the Company from the date of the Announcement to Completion.

If only the Initial Consideration Shares (i.e., 190,000,000 Shares) are issued at Completion, they represent approximately 10.24% of the issued share capital of the Company as at the date of this announcement and approximately 9.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Initial Consideration Shares.

If all the Earn-out Shares are subsequently issued, the issued share capital of the Company will increase by a further 190,000,000 Shares, and the Vendor's shareholding will increase to approximately 16.99% of the enlarged issued share capital.

The public Shareholders' shareholding will be reduced from approximately 84.63% as at the date of the Announcement to approximately 76.77% immediately after Completion (assuming only the Initial Consideration Shares are issued), and to approximately 70.25% if all the Earn-out Shares are subsequently issued. The Company will continue to maintain the minimum public float as required under Rule 8.08 of the Listing Rules.

If the Vendor did not accept full payment in the form of the Consideration Shares, the Company would have to conduct a placing(s) of new Shares to raise the funding required to satisfy the Consideration, as a large portion of the Company's existing cash was raised under previous fundraising exercises and has already been earmarked for other purposes.

The discounts of the placings of new Shares conducted by the Company in April 2026 and May 2026 were approximately 16% and 2.38%, respectively. The Board believes that a significant discount would be required for a placing undertaken to raise funds for the purpose of funding the Proposed Acquisition, which would result in a similar dilution effect on the existing shareholders, primarily for the following reasons:

- the previous placements were conducted on a top-up basis, and the discount for such top-up placings is generally lower than that for a direct placing of new Shares, owing to the longer period to completion which exposes investors to greater market risks. The Company could not conduct a top-up placing on this occasion, as there is no closely related shareholder holding a sufficient number of Shares to facilitate such an arrangement;

- the high volatility and downward trend of the Shares;

- the size of the placing in terms of number of Shares required to satisfy the Consideration would be substantially larger than each of the previous two placements;

- the Share price has continued to decline following each of the previous two placements, and there is no certainty that a placing can be successfully completed, thereby increasing the risk of Completion of the Proposed Acquisition; and

- such placing will also have a dilution effect on the existing Shareholders.

The theoretical dilution effect of the issue of the Consideration Shares, as calculated in accordance with Rule 7.27B of the Listing Rules, is approximately 3.7%. The theoretical dilution effect of issuing Shares under a placing of 380,000,000 Shares with a discount of 10%, 15% and 20% to the benchmark price, calculated on the same basis, would be approximately 1.7%, 2.6% and 3.4%, respectively, which are not materially different from 3.7% in the grand scheme of things.

Having considered the above factors, the Directors, including the independent non-executive Directors, are of the view that the Issue Price is fair and reasonable and that the allotment and issue of the Consideration Shares at the Issue Price are in the interests of the Company and the Shareholders as a whole.

## PROFIT GUARANTEES AND EARN-OUT ARRANGEMENT

### Basis for determining the Guaranteed Profit

As disclosed in the Announcement, the Vendor and Mr. He have jointly and severally guaranteed that the Actual Net Profit of the Xinqite Group for the 2026 Guarantee Period and the 2027 Guarantee Period will not be less than RMB7 million and RMB9 million, respectively. Due to an inadvertent clerical error, the Board wishes to clarify that the 2026 Guarantee Period covers the full financial year from 1 January 2026 to 31 December 2026, instead of from the Completion Date to 31 December 2026.

The Guaranteed Profit was determined after arm's length negotiations between the Company and the Vendor based on the profit of the Target Group in 2025 and the first six months of 2026, adjusted as if no interest payable under the Xinqite Shareholders Loans existed (the "**Interest Savings**").The Board has taken into account the following factors when considering whether the 2026 Guaranteed Profit is achievable:

- the 2026 Guaranteed Profit of RMB7 million represents a growth of approximately 75% over the adjusted profit of the Xinqite Group for 2025, which was approximately RMB4 million, calculated as (RMB7.0 million − RMB4.0 million) ÷ RMB4.0 million × 100% = 75.0%;

- the adjusted profit of the Xinqite Group for the six months ended 30 June 2026 was approximately RMB2.13 million, representing a period-to-period growth of approximately 56.8% as compared with the adjusted profit of the Xinqite Group for the six months ended 30 June 2025 of approximately RMB1.36 million, calculated as (RMB2.13 million − RMB1.36 million) ÷ RMB1.36 million × 100% ≈ 56.8%;

- based on the unaudited management accounts of the Xinqite Group for the nine months ended 30 September 2026, and after adjusting for the Xinqite Shareholders Loans and the related interest, the Xinqite Group recorded a net profit after tax of approximately RMB5.0 million for the period; and

- the Board's assessment, based on the factors set out above that the Xinqite Group's profitability will continue to improve. In particular, the Board has taken into account: (i) the Xinqite Group's transition from a net loss of approximately RMB3.30 million in FY2024 to a breakeven position in FY2025 and a net profit of approximately RMB0.74 million for the six months ended 30 June 2026 (or approximately RMB2.13 million on an adjusted basis, assuming waiver of the Xinqite Shareholders Loans and the consequential elimination of the entire relevant interest expense); (ii) the substantial elimination of legacy burdens following the completion of the store network rationalisation, with the remaining 24 directly-operated stores being those with positive contribution; (iii) the expected improvement in the Xinqite Group's net liabilities position as the Xinqite Shareholders Loans (approximately RMB204.27 million) will be waived upon Completion, thereby removing significant interest-bearing liabilities; and (iv) the unaudited management accounts for the nine months ended 30 September 2026, which recorded a net profit after tax of approximately RMB5.0 million (after adjusting for the Xinqite Shareholders Loans and related interest), demonstrating that the turnaround has continued and stabilised.

Given that the expected growth required to achieve RMB9 million in 2027 over RMB7 million in 2026 is approximately 28.6%, which is significantly lower than the expected growth for 2026, the Board considers the 2027 Guaranteed Profit to be reasonable.

Furthermore, the Board considers the Guaranteed Profit to be achievable having regard to the following:

(i) the Xinqite Group's historical losses were primarily attributable to non-recurring or exceptional factors as disclosed in the section headed "Net liabilities position" above (including management transition, pandemic disruptions, expansion impact and interest expenses on related-party loans); and

(ii) the Xinqite Group's core business operations have stabilised and are showing encouraging signs of improvement.

The Guaranteed Profit remains the reference profit level for the Earn-out Arrangement described below. However, the cash compensation mechanism that previously applied to any shortfall against the Guaranteed Profit has been replaced by the Earn-out Arrangement described below, save for the FY2026 Cash Compensation.

**Acquisition P/E**

The Company will acquire the Target Group at a maximum P/E of 15.13 times, calculated as follows:

Acquisition P/E = HK$149,986,000 ÷ (RMB9,000,000 × 1.16 × 94.94%) = 15.13

The acquisition P/E is calculated by reference to the Company's effective economic interest in Xinqite of 94.94%, being the indirect interest acquired through the Target Group.

The acquisition P/E of 15.13 is calculated by reference to the FY2027 Guaranteed Profit because FY2027 is the first full financial year in which the Company will own the Target Group, and the FY2027 Guaranteed Profit reflects the Target Group's stabilised, forward-looking earnings. Using the FY2027 Guaranteed Profit, which is the higher of the two Guaranteed Profits, produces the lower and more conservative acquisition P/E. If the FY2026 Guaranteed Profit were used, the acquisition P/E would be approximately 19.46. The same acquisition P/E of 15.13 is applied to both the FY2026 and FY2027 Earn-out Shares because the acquisition P/E is a single valuation metric reflecting the price the Company is paying for the Xinqite Group as a whole. The tranche sizes are determined by reference to the profit range for each year, using the same acquisition P/E.

The acquisition P/E of 15.13 times is higher than the FY2027 median size-adjusted P/E of the comparable companies of approximately 13.26 times. The difference reflects the control premium and the other benefits of the Proposed Acquisition. The comparable companies' FY2027 size-adjusted P/Es are: TUHU Car Inc. (11.1 times), Boyd Group Services Inc. (13.4 times), Valvoline, Inc. (13.1 times) and Monro, Inc. (39.0 times, treated as a statistical outlier and excluded from the calculation of the median P/E multiple, as its P/E multiple (246.04x) significantly deviates and exceeds the range of the other comparable companies (approximately 15.64x to 45.94x) and was deemed non-representative of fair market pricing and for valuation purposes).

The Directors consider that the acquisition of the Xinqite Group at a maximum P/E of 15.13 times is fair and reasonable, having regard to (i) the Company having passed the uncertain period and now heading towards stability; (ii) the industry prospects of the automotive aftermarket sector in the PRC; (iii) the synergies with the Group's existing automobile finance and retail businesses; and (iv) the earn-out structure, which ensures that the Vendor only receives the full Consideration if the Guaranteed Profits are met.

Set out below is a summary of the Xinqite's unaudited consolidated profit after taxation (the "**Unadjusted Profit**") and such profit adjusted for the impact of the Interest Savings (the "**Adjusted Profit**") for the six months ended 31 December 2025, the six months ended 30 June 2026 and the last twelve months' profits up to 30 June 2026:

| | **For the six months ended 31 Dec 2025** | **For the six months ended 30 Jun 2026** | **For the twelve months ended 30 Jun 2026** |
|---|---|---|---|
| Unadjusted Profit | RMB(207,000) | RMB737,000 | RMB530,000 |
| Adjusted Profit | RMB2,641,000 | RMB2,128,000 | RMB4,769,000 |

**FY2026 Earn-out Shares and their basis**

A maximum of 105,526,000 Earn-out Shares shall be allotted and issued to the Vendor by reference to the audited net profit after tax of the Xinqite Group for FY2026 (the "**FY2026 Audited NPAT**"), as follows:

(i) if the FY2026 Audited NPAT is not less than RMB7,000,000, all 105,526,000 FY2026 Earn-out Shares shall be allotted and issued to the Vendor;

(ii) if the FY2026 Audited NPAT is more than RMB4,500,000 but less than RMB7,000,000, the number of FY2026 Earn-out Shares shall be calculated as follows, rounded down to the nearest whole Share:

((FY2026 Audited NPAT – RMB4,500,000) × 1.16 × 15.13) ÷ 0.3947

Subject to a maximum of 105,526,000 FY2026 Earn-out Shares.

(iii) if the FY2026 Audited NPAT is RMB4,500,000 or below, no FY2026 Earn-out Shares shall be allotted or issued.

The FY2026 Earn-out Shares, if any, shall be allotted and issued as soon as practicable after the FY2026 Audited NPAT has been finally determined in accordance with the Sale and Purchase Agreement (as amended and supplemented by the Third Supplemental Deed).

For illustration:

| **FY2026 Audited NPAT (RMB)** | **FY2026 Earn-out Shares** |
|---:|---:|
| 7,000,000 or above | 105,526,000 |
| 6,000,000 | 66,699,265 |
| 5,000,000 | 22,233,088 |
| 4,500,000 or below | 0 |

The notional floor of RMB4,500,000 was determined through arm's length negotiations between the Company and the Vendor, having regard to, among other things, (i) the Xinqite Group's adjusted profit for the last twelve months ended 30 June 2026 of approximately RMB4.77 million; (ii) the unaudited management accounts of the Xinqite Group for the period ended 30 September 2026; and (iii) the value of the 190,000,000 Initial Consideration Shares at the Issue Price (i.e. HK$74,993,000), divided by the acquisition P/E of 15.13, the Exchange Rate and the effective economic and voting interest in Xinqite of 94.94%, which produces approximately RMB4,273,000.

The RMB4,500,000 threshold is used both as the lower threshold for determining the FY2026 Earn-out Shares and as the reference amount for calculating the FY2026 Cash Compensation. It is not a contractual floor.

The maximum number of FY2026 Earn-out Shares of 105,526,000 is derived as follows:

(i) take the FY2026 profit range, being the FY2026 Guaranteed Profit of RMB7,000,000 less the notional floor of RMB4,500,000, which equals RMB2,500,000;

(ii) convert it into HK$ at the Exchange Rate, giving HK$2,900,000;

(iii) multiply by the acquisition P/E of 15.13, giving HK$43,877,000;

(iv) divide by the Issue Price of HK$0.3947 per Consideration Share, giving approximately 111,165,442 Shares; and

(v) multiply by the effective economic and voting interest in Xinqite of 94.94%, giving approximately 105,540,470 Shares, further rounded down to 105,526,000 Shares.

**Compensation for FY2026**

If the FY2026 Audited NPAT is RMB4,500,000 or below, no FY2026 Earn-out Shares shall be issued, and the Vendor shall pay to the Company cash compensation within 30 Business Days after the FY2026 Audited NPAT is finally determined, calculated as follows ("**FY 2026 Cash Compensation**"):

(RMB4,500,000 – FY2026 Audited NPAT) × 1.16 × 15.13 × 94.94%

(where (i) 1.16 is the Exchange Rate; (ii) 15.13 is the acquisition P/E; and (iii) 94.94% is the effective economic and voting interest in Xinqite)

Where the FY2026 Audited NPAT is the actual audited net profit after tax of the Xinqite Group for FY2026, whether positive, zero or negative.

For the avoidance of doubt, if the Xinqite Group records a loss for FY2026, the FY2026 Audited NPAT shall be deemed to be zero (0) for the purpose of calculating the FY2026 Earn-out Shares and the FY2026 Cash Compensation. Accordingly, the following formulae shall apply:

- FY2026 Earn-out Shares: As the FY2026 Audited NPAT is deemed to be zero (0), no FY2026 Earn-out Shares will be issued; and

- FY2026 Cash Compensation: The FY2026 Cash Compensation shall be calculated based on a deemed FY2026 Audited NPAT of zero (0), pursuant to the formula (RMB4,500,000 – RMB0) × 1.16 × 15.13 × 94.94%, resulting in a maximum FY2026 Cash Compensation of approximately HK$74,980,000, which the Vendor will be required to pay to the Company.

**FY2027 Earn-out Shares and their basis**

A maximum of 84,474,000 Earn-out Shares shall be allotted and issued to the Vendor by reference to the audited net profit after tax of the Xinqite Group for FY2027 (the "**FY2027 Audited NPAT**"), as follows:

(i) if the FY2027 Audited NPAT is not less than RMB9,000,000, all 84,474,000 FY2027 Earn-out Shares shall be allotted and issued to the Vendor;

(ii) if the FY2027 Audited NPAT is more than RMB7,000,000 but less than RMB9,000,000, the number of FY2027 Earn-out Shares shall be calculated as follows, rounded down to the nearest whole Share:

((FY2027 Audited NPAT – RMB7,000,000) × 1.16 × 15.13) ÷ 0.3947

Subject to a maximum of 84,474,000 FY2027 Earn-out Shares.

(iii) if the FY2027 Audited NPAT is RMB7,000,000 or below, no FY2027 Earn-out Shares shall be allotted or issued.

The FY2027 Earn-out Shares, if any, shall be allotted and issued as soon as practicable after the FY2027 Audited NPAT has been finally determined in accordance with the Sale and Purchase Agreement (as amended and supplemented by the Third Supplemental Deed).

For illustration:

| FY2027 Audited NPAT (RMB) | FY2027 Earn-out Shares |
|---|---|
| 9,000,000 or above | 84,474,000 |
| 8,000,000 | 44,466,176 |
| 7,000,000 or below | 0 |

No cash compensation is payable in respect of FY2027.

The Board has considered the structure of the compensation mechanisms and is of the view that the inclusion of a cash compensation mechanism for FY2026 and the absence of a similar mechanism for FY2027 are fair and reasonable, and in the interests of the Company and its Shareholders as a whole, for the following reasons:

(i) the FY2026 Cash Compensation mechanism serves as an efficient financial safeguard during the first full financial year following the completion of the Proposed Acquisition, which is a period of operational transition and business integration for the Xinqite Group. By requiring the Vendor to compensate the Company in cash for any shortfall against the FY2026 target, the Company is provided with immediate financial protection;

(ii) the absence of a cash compensation mechanism for FY2027 is because the Company has already obtained a cash safeguard for the first full financial year through the FY2026 Cash Compensation mechanism. For FY2027, the compensation structure is purely equity-based and is triggered only if the FY2027 Audited NPAT exceeds RMB7,000,000; and

(iii) the Board has specifically considered the overall economic benefits of this structure to the Company. In particular, the Board notes the following: (a) any FY2026 profit exceeding RMB7,000,000 does not require the Company to issue any additional shares or pay any additional consideration to the Vendor; (b) if the FY2026 Audited NPAT falls below RMB7,000,000, but the FY2027 Audited NPAT exceeds the FY2026 actual profit while remaining below RMB7,000,000, no additional consideration will be payable for this catch-up portion; and (c) any FY2027 profit exceeding RMB9,000,000 does not require the Company to issue any additional Earn-out Shares or pay any additional consideration to the Vendor.

Taking into account the above, the Board considers that the differing compensation mechanisms for FY2026 and FY2027 appropriately balance the Company's need for short-term financial protection with the long-term objective of aligning the Vendor's interests with those of the Shareholders, while providing clear economic benefits and cost savings to the Company. Accordingly, the Board considers that the arrangements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**General provisions**

The FY2026 and FY2027 earn-out entitlements shall be determined separately. Any Earn-out Shares not earned for the relevant financial year shall lapse and shall not be carried forward to, or recovered by reference to the performance of, any other financial year. The aggregate number of Earn-out Shares shall not exceed 190,000,000 Shares.

Before the relevant Earn-out Shares are allotted and issued, the Vendor shall have no voting, dividend or other shareholder rights in respect of such unissued Shares. Upon allotment and issue, the Earn-out Shares shall rank pari passu in all respects with the Shares then in issue, including the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment, and the right to vote at any general meeting of the Company held on or after the date of allotment.

Accordingly, the Directors consider that the Earn-out Arrangement, including the FY2026 Cash Compensation, is fair and reasonable, commercially justifiable, and in the interests of the Company and the Shareholders as a whole.

**Credit assessment of the Vendor and Mr. He**

The Board has assessed the financial resources of the Vendor and Mr. He, including the Consideration Shares. In making this assessment, the Board has reviewed the financial resources available to the Vendor and Mr. He, including (i) the current asset portfolio of the Vendor and Mr. He and the future asset portfolio to be retained by the Vendor following Completion, (ii) the personal financial standing of Mr. He, having regard to his long-standing role as the vice chairman and general manager of Xinqite and his direct shareholding in Xinqite, and (iii) the other protections available to the Company under the Sale and Purchase Agreement. On the basis of the above, the Board considers that the Vendor and Mr. He have sufficient financial resources to satisfy the FY2026 Cash Compensation obligations in the event that the FY2026 Audited NPAT falls below the notional floor.

**Recovery of the FY2026 Cash Compensation**

As disclosed in the Announcement, the Vendor and Mr. He are jointly and severally liable for the compensation payable under the Sale and Purchase Agreement, and Mr. He has provided a personal guarantee. The Vendor and Mr. He will also remain jointly and severally liable to make up any shortfall until fully discharged.

Having regard to the joint and several liability of the Vendor and Mr. He, the personal guarantee of Mr. He, and the representations, warranties and indemnities contained in the Sale and Purchase Agreement (as amended and supplemented by the Third Supplemental Deed), the Board considers that adequate protection is available to the Company for the recovery of the FY2026 Cash Compensation. The Company will monitor the Vendor's and Mr. He's compliance with their obligations under the Sale and Purchase Agreement (as amended and supplemented by the Third Supplemental Deed) and will enforce its rights if and when required.

**Board's assessment of the value of the Profit Guarantees**

The Board has taken into account the Profit Guarantees, the Earn-out Arrangement and the FY2026 Cash Compensation as part of the overall assessment of the Consideration. In particular, the Board has reviewed (i) the valuation and its basis; (ii) the basis for the Guaranteed Profit; (iii) the basis for the acquisition P/E of 15.13 times; (iv) the basis for the FY2026 and FY2027 Earn-out Shares and the FY2026 Cash Compensation; and (v) the other protections available to the Company under the Sale and Purchase Agreement (as amended and supplemented by the Third Supplemental Deed).

The Board considers that the Earn-out Arrangement is more advantageous to the Company and its Shareholders than the previous cash Compensation mechanism for the following reasons:

(i) under the Earn-out Arrangement, the Earn-out Shares are not issued at Completion. This avoids immediate dilution to the existing Shareholders before the Xinqite Group has demonstrated the performance contemplated by the Guaranteed Profits. Dilution only occurs to the extent the relevant Guaranteed Profits are actually met and the Earn-out Shares are issued;

(ii) because the Earn-out Shares are issued only if and to the extent the Guaranteed Profits are met, the Company ensures that the effective acquisition P/E for the Xinqite Group will not exceed 15.13 times. If the Xinqite Group underperforms, the Vendor receives fewer or no Earn-out Shares, thereby adjusting the effective consideration paid by the Company to reflect the actual financial performance; and

(iii) the Earn-out Arrangement substantially reduces the credit risk associated with recovering cash compensation from the Vendor and Mr. He. By retaining the Earn-out Shares in an unissued state until the Guaranteed Profits are met, the Company does not need to initiate enforcement action or rely on the Vendor's financial capacity to satisfy any shortfall, save for the FY2026 Cash Compensation in relation to the specific below-floor scenario.

The Board considers that the Guaranteed Profit, the Earn-out Arrangement and the FY2026 Cash Compensation as a whole provide meaningful protection to the Company and the Shareholders by (i) aligning the interests of the Vendor and Mr. He with the financial performance of the Xinqite Group following Completion; (ii) ensuring that the Vendor will not receive the full Consideration unless the Guaranteed Profits are met; and (iii) providing a cash remedy to the Company if the FY2026 Audited NPAT falls below the notional floor.

**INFORMATION OF THE VENDOR AND XINQITE**

As disclosed in the Announcement, Xinqite is held as to approximately 85.45% by NTS, approximately 1.50% by Individual A, approximately 1.20% by Individual B, 0.35% by Individual C and 10.00% by LPA.

LPA is Shanghai Yiru, a limited partnership established in the PRC. Shanghai Yiru is held as to 90% by 上海新奇特廣淶車業服務有限公司 and 10% by 上海新奇特蓮樺汽車服務有限公司, both of which are indirect wholly-owned subsidiaries of Xinqite.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Seller, 上海鳴潤商務諮詢有限公司, 南京易自助網絡科技有限公司, Individual A, Individual B, Individual C and Shanghai Yiru is an Independent Third Party.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. He's role and shareholding in Xinqite and the Vendor SPA:

(i) the Vendor, Mr. He and/or their respective associates have no past or present relationship, arrangement or understanding (other than those arising from the Vendor SPA and the transactions contemplated thereunder) with the parties that transferred the entire equity interest in Xinqite and the Xinqite Shareholders Loans to the Vendor (including the Seller, 上海鳴潤商務諮詢有限公司 and 南京易自助網絡科技有限公司); and

(ii) 上海鳴潤商務諮詢有限公司, 南京易自助網絡科技有限公司 and the Vendor have no past or present relationship, arrangement, understanding or connection (whether business, contractual, financial, ownership or otherwise).

To the best of the Directors' knowledge and belief, the capital reduction by Shanghai Yiru is expected to be completed within six (6) months following Completion.

## EFFECT ON SHAREHOLDING STRUCTURE

As disclosed in the Announcement, the Vendor will become a substantial shareholder and a connected person of the Company upon Completion. The Company has no intention for the Vendor and/or Mr. He to have any role in the Company (including as a director or chief executive) following Completion, save for Mr. He's current role in the Target Group (including but not limited to being the vice chairman and general manager of Xinqite).

The following table sets out the updated shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after Completion, assuming that only the Initial Consideration Shares are allotted and issued; and (iii) assuming that all the Earn-out Shares are subsequently allotted and issued in full:

| | **As at the date of this announcement** | | **Immediately after Completion (After issuance of the Initial Consideration Shares only)** | | **After issuance of all Earn-out Shares** | |
|---|---|---|---|---|---|---|
| **Shareholders of the Company** | *Number of Shares held* | *Approx. %* | *Number of Shares held* | *Approx. %* | *Number of Shares held* | *Approx. %* |
| The Vendor | 0 | 0 | 190,000,000 | 9.29 | 380,000,000 | 16.99 |
| Glorypearl Capital Resources Company Limited[(1)] | 190,629,882 | 10.27 | 190,629,882 | 9.32 | 190,629,882 | 8.52 |
| Other entities controlled by Mr. Huang Wei[(2)] | 88,726,180 | 4.78 | 88,726,180 | 4.34 | 88,726,180 | 3.97 |
| Mr. Huang Wei | 3,000,000 | 0.16 | 3,000,000 | 0.15 | 3,000,000 | 0.13 |
| **Sub-total (Mr. Huang Wei)** | **282,356,062** | **15.21** | **282,356,062** | **13.80** | **282,356,062** | **12.63** |
| Mr. Ye Fuwei[(3)] | 2,863,587 | 0.15 | 2,863,587 | 0.14 | 2,863,587 | 0.13 |
| Public Shareholders | 1,571,030,351 | 84.63 | 1,571,030,351 | 76.77 | 1,571,030,351 | 70.25 |
| **Total** | **1,856,250,000** | **100.00** | **2,046,250,000** | **100.00** | **2,236,250,000** | **100.00** |

*Notes:*

(1) Glorypearl Capital Resources Company Limited, a British Virgin Islands company wholly owned by Mr. Huang Wei (黃偉), an executive Director, chairman of the Board and chief executive officer of the Company.

(2) These Shares are held through certain British Virgin Islands incorporated entities which are in turn held through certain PRC entities controlled by Mr. Huang Wei, including Happy Gain Business Developments Limited, Precious Luck Developments Management Limited and Southern Fortune Enterprises Management Limited.

(3) Mr. Ye Fuwei is an executive Director. These Shares are held through Billion Aspire Holdings Limited, which is a corporation controlled by Mr. Ye Fuwei.

(4) The above table does not take into account any Shares which may be allotted and issued upon the exercise of options granted under the pre-IPO share option scheme or the share option scheme of the Company adopted on 9 October 2023.

Save as disclosed in this supplemental announcement, all other information and contents set out in the Announcement remain unchanged and continue to be valid for all purposes.

**Shareholders and potential investors should note that Completion is subject to the satisfaction or waiver, as applicable, of the Conditions as set out in the Sale and Purchase Agreement. Therefore, the Proposed Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

By Order of the Board
**XXF Group Holdings Limited**
**Mr. HUANG Wei**
*Chairman of the Board, chief executive officer and executive Director*

Hong Kong, 30 October 2026

*As at the date of this announcement, the executive Directors are Mr. Huang Wei and Mr. Ye Fuwei, and the independent non-executive Directors are Mr. Wu Fei, Mr. Fung Che Wai, Anthony, Mr. Chen Shuo and Prof. Wang Lihong.*