

2 December 2025

*To the Independent Board Committee
and the Independent Shareholders of
Star Shine Holdings Group Limited*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO RENEWAL OF
THE EXISTING FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Framework Agreement, the transactions contemplated thereunder (the **“Proposed Continuing Connected Transaction”**) and the Proposed Annual Caps. Details of which are set out in the “Letter from the Board” (the **“Letter from the Board”**) contained in the circular of the Company dated 2 December 2025 (the **“Circular”**), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to (i) the announcement of the Company dated 10 July 2023 in relation to, among other things, the Existing Framework Agreement; and (ii) the announcement of the Company dated 7 November 2025 in relation to, among other things, the New Framework Agreement. On 7 November 2025 (after trading hours), the Company entered into the New Framework Agreement with Mr. Tsoi, pursuant to which Mr. Tsoi’s Associated Companies that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group. As the Existing Framework Agreement will expire on 31 December 2025, the Company entered into the New Framework Agreement with Mr. Tsoi on 7 November 2025, on substantially the same terms as the Existing Framework Agreement, pursuant to which certain companies of Mr. Tsoi’s Associated Companies will continue to manufacture and supply various footwear to the Group for a term of 3 years commencing from 1 January 2026 to 31 December 2028.

As at the Latest Practicable Date, Mr. Tsoi is an executive Director, the chairman of the Board and a controlling shareholder of the Company. Accordingly, both Mr. Tsoi and Mr. Tsoi's Associated Companies are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The highest applicable percentage ratio for the Proposed Annual Caps for the three years ending 31 December 2026, 2027 and 2028 under the New Framework Agreement exceeds 5%, the transactions contemplated under the New Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Tsoi and Ms. Tsoi have material interest in the New Framework Agreement and the transactions contemplated thereunder, Mr. Tsoi and Ms. Tsoi abstained from voting on the Board resolutions approving the New Framework Agreement. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, none of the Directors has any material interest in the New Framework Agreement and was required to abstain from voting on the Board resolutions approving the New Framework Agreement.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chow Kit Ting, Dr. Chiu Kwok Hung, Justin and Mr. Mak Ming Hoi, has been established to advise the Independent Shareholders in respect of the terms of the New Framework Agreement and the transaction contemplated thereunder and the Proposed Annual Caps and as to whether the New Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Proposed Continuing Connected Transaction and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, 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 Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transaction and the Proposed Annual Caps. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Continuing Connected Transaction and the Proposed Annual Caps, and accordingly, are eligible to give independent advice and recommendations on the terms of the Proposed Continuing Connected Transaction and the Proposed Annual Caps. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We will notify the Shareholders of any material change of information in the Circular up to the date of EGM.

Our review and analysis were based upon, among others, (i) the information provided by the Group including the Circular, the Existing Framework Agreement, the New Framework Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2024 (the “**Annual Report 2024**”) and interim report of the Company for the six months ended 30 June 2025 (the “**Interim Report 2025**”); and (ii) our discussion with the Directors and the management of the Group with respect to the terms of and the reasons for entering into of the New Framework Agreement. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Proposed Continuing Connected Transaction, together with the Proposed Annual Caps, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Group, Mr. Tsoi and Mr. Tsoi's Associated Companies

1.1 Background of the Group

The Company is an investment holding company. The Group is principally engaged in two main business segments: (i) lace and dyeing segment (including manufacturing of lace and provision of dyeing services) (the “**Lace and Dyeing Business**”) and (ii) footwear segment (the “**Footwear Business**”). For Lace and Dyeing Business, the Group primarily manufactures and sells lace products to customers producing branded lingerie products on an order-by-order basis; and serves lace and swimwear manufacturers who provide their fabrics for dyeing before further fabrication. For Footwear Business, the Group oversees the design, research and development and sourcing of footwear. According to the Interim Report 2025, prior to 1 January 2025, there were three reportable and operating segments, namely (i) manufacturing of lace; (ii) provision of dyeing services; and (iii) Footwear Business. From 1 January 2025, the management of the Group has changed the presentation and the updated reportable segments comprise (i) Lace and Dyeing Business, which is aggregated by the former manufacturing of lace and provision of dyeing services segments; and (ii) Footwear Business.

1.2 Financial information of the Group

The following table sets out the financial performance of the Group for the year ended 31 December 2023 (“**FY2023**”) and 31 December 2024 (“**FY2024**”) respectively as extracted from the Annual Report 2024 and for the six months ended 30 June 2024 (“**HY2024**”) and 30 June 2025 (“**HY2025**”) respectively as extracted from the Interim Report 2025:

	FY2023	FY2024	HY2024	HY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
Lace and Dyeing Business				
– Manufacturing of lace	20,690	14,421	7,342	5,244
– Dyeing services	53,287	64,932	31,656	34,489
	<u>73,977</u>	<u>79,353</u>	<u>38,998</u>	<u>39,733</u>
Footwear Business	243,376	505,188	234,399	248,873
	<u>243,376</u>	<u>505,188</u>	<u>234,399</u>	<u>248,873</u>
Total revenue	<u>317,353</u>	<u>584,541</u>	<u>273,397</u>	<u>288,606</u>
(Loss) for the year/period				
attributable to the owners				
of the Company	<u>(10,091)</u>	<u>(12,753)</u>	<u>(948)</u>	<u>(22,511)</u>

FY2023 vs FY2024

The Group's revenue for FY2024 was approximately RMB584.54 million, representing an increase of approximately RMB267.19 million or 84.2% as compared to approximately RMB317.35 million for FY2023. According to the Annual Report 2024, the increase in revenue was the combined effect of (i) the decrease in revenue of manufacturing of lace of approximately RMB6.27 million resulted from intensive competition, which led to a reduction in orders from customers; (ii) the increase in revenue of dyeing services of approximately RMB11.65 million as a result of increase in dyeing orders from customers; and (iii) substantial growth in Footwear Business, with revenue rising from approximately RMB243.38 million for FY2023 to approximately RMB505.19 million for FY2024, as a result of high volume of orders placed by an international customer during FY2024. The revenue from the Footwear Business accounted for approximately 76.7% and 86.4% of the total revenue of the Group for FY2023 and FY2024 respectively.

The Group's loss for the year attributable to the owners of the Company for FY2024 was approximately RMB12.75 million, representing an increase of approximately RMB2.66 million or 26.4% as compared to approximately RMB10.09 million for FY2023. The increase in loss was mainly due to (i) the increase in staff costs as a result of the increased average headcounts; and (ii) the increase in interest expenses resulted from unsecured interest-bearing borrowings drawn at the end of 2023, which were fully repaid during FY2024.

HY2024 vs HY2025

The Group's revenue for HY2025 was approximately RMB288.61 million, representing an increase of approximately RMB15.21 million or 5.6% as compared to approximately RMB273.40 million for HY2024. According to the Interim Report 2025, the increase in revenue was the combined effect of (i) the decrease in revenue of manufacturing of lace of approximately RMB2.10 million due to intensive competition resulting in decrease of orders from customers; (ii) the increase in revenue of dyeing services of approximately RMB2.83 million as a result of an immediate effect from some nearby factories' mismanagement or closures, redirecting orders to the Group; and (iii) the increase in revenue of the Footwear Business of approximately RMB14.47 million as a result of increasing orders before implementation of tariff. The revenue from the Footwear Business accounted for approximately 85.7% and 86.2% of the total revenue of the Group for HY2024 and HY2025 respectively.

The Group's loss for the period attributable to the owners of the Company for HY2025 was approximately RMB22.51 million, representing an increase of approximately RMB21.56 million or 2,269.5% as compared to approximately RMB0.95 million for HY2024. The increase in loss was mainly due to (i) share of loss of a joint venture of approximately RMB8.05 million as a result of the one-off installation cost to set up the museum brand of an iconic Portuguese footballer, Mr. Cristiano Ronaldo dos Santos Aveiro in Hong Kong; (ii) the increase in administrative expenses of approximately RMB4.99 million as a result of the increase in number of top and senior staff and initial legal and consulting costs for different potential new projects; and (iii) the increase in impairment loss on property, plant and equipment of approximately RMB4.45 million in Lace and Dyeing Business as a result of the impairment assessment result, which was impacted by multiple extraordinary external factors, such as temporary inflation in fuel prices, regional tariffs briefly disrupting end demand and intensive competition in the domestic market.

1.3 Background of Mr. Tsoi and Mr. Tsoi's Associated Companies

Mr. Tsoi is an executive Director, the chairman of the Board and a controlling shareholder of the Company. As at the Latest Practicable Date, there are only three of Mr. Tsoi's Associated Companies, (i) Putian Qiming; (ii) Qi Heng Xin; and (iii) New Delta, which are qualified suppliers to supply the Group's footwear under the assessment, including location, capacity, background and experience of the factories, ethical practices and environment protection standards, and the Company has no intention to include other Mr. Tsoi's Associated Company during the term of the New Framework Agreement.

Putian Qiming, a limited company established in the PRC on 31 January 2000, is principally engaged in the manufacture, retail and wholesale of footwear and bags, and is directly owned by Mr. Cai Rong Shou (the brother of Mr. Tsoi) and CALSON INVESTMENT LIMITED (啓星投資有限公司) ("Calson") as to 51% and 49%, respectively. Calson is a private company incorporated in Hong Kong and limited by shares and is directly wholly-owned by Ms. Tsoi Wing Yuet Willy (the sister of Mr. Tsoi). Mr. Tsoi is the supervisor of Putian Qiming.

Qi Heng Xin, a private limited company incorporated in Cambodia on 17 January 2023, is principally engaged in the manufacturing of shoes and bags, and is directly owned by Ms. Tsoi Wing Yuet Willy, Mr. Tsoi Pok Yeung (the son of Mr. Tsoi) and Mr. Tsoi Wing Ying (the brother of Mr. Tsoi) as to 45%, 40% and 15%, respectively.

New Delta, a private limited company incorporated in Hong Kong on 22 September 2023, is principally engaged in the wholesale of footwear, and is directly wholly-owned by Qi Heng Xin.

2. Reasons for and benefits of the Proposed Continuing Connected Transaction

The Group is primarily engaged in two main business segments: (i) the Lace and Dyeing Business and (ii) the Footwear Business. In view of positive global footwear market trends and stringent environmental requirements for lace manufacturing and dyeing operations, the Group has been reallocating more resources into its footwear business.

According to the World Footwear Yearbook 2025 published by the World Footwear, an initiative of APICCAPS, the Portuguese Footwear, Components and Leather Goods Manufacturers' Association, the total quantity of footwear exports from the PRC was approximately 9,203 million pairs of footwear in 2024, representing a compound decrease of approximately 0.6% as compared to that in 2022. Although the PRC maintained its dominant position, the total quantity of footwear exports from the PRC accounted for approximately 63.8% in 2023 and decreased to approximately 62.2% in 2024. As advised by the management of the Company, the footwear customers of the Group diversify and shift part of their sourcing to other countries, especially the Southeast Asian countries, in response to ongoing trade tensions between the United States and China.

The trade tensions between the United States and China have increased tariffs goods made in China by the United States, resulting many American companies to shift sourcing to Southeast Asia to reduce costs. According to the World Footwear Yearbook 2025, Cambodia's footwear export ranking improved from the top 10 in 2022, with approximately 190 million pairs of footwear exported, to the top 8 in 2024, exporting approximately 207 million pairs of footwear. This growth highlights Cambodia's increasing importance in the global footwear industry. Mr. Tsoi's Associated Companies including Putian Qiming, Qi Heng Xin and New Delta. Qi Heng Xin in aggregate has a total production area of approximately 57,695 square meters in Cambodia with an annual production volume of approximately 12 million pairs of footwear. As advised by the management of the Company, the transportation networks surrounding Mr. Tsoi's Associated Companies' production facilities are well-developed, especially the production facilities of Mr. Tsoi's Associated Companies which are near ports and airports which could provide logistical advantages and reduce the transportation cost. The Group has maintained a stable relationship with Mr. Tsoi, who has served as an executive Director, the chairman of the Board and a controlling shareholder since September 2022, with continuous involvement in the Group's footwear business. Mr. Tsoi's strong connection with Mr. Tsoi's Associated Companies facilitates a stable long-term cooperation between the Group and Mr. Tsoi's Associated Companies. This relationship enables efficient communication and operational benefits to the Group, including reliable delivery and timely response to quality issues. While identifying and assessing suitable suppliers in Southeast Asia can be time-consuming, Mr. Tsoi's Associated Companies provide immediate access to non-PRC manufacturing options. The Group has generally been satisfied with the quality of footwear products supplied by Mr. Tsoi's Associated Companies which has been one of the qualified suppliers of the Group since July 2023. By entering into the New Framework Agreement, the Company can diversify its source of supply, thereby strengthening supply chain in response to ongoing trade tensions, and provide reliable supply of footwear with consistent quality for the Group.

Having considered that (i) the Footwear Business is one of the ordinary and usual course of business of the Group, which contributed over 86% of the total revenue of the Group for FY2024 and HY2025 as discussed in the paragraph headed “1.2 Financial information of the Group” above; (ii) Mr. Tsoi’s Associated Companies possess extensive experience and substantial production capacity in manufacturing of footwear; (iii) the long-term business relationship with Mr. Tsoi’s Associated Companies, together with their production capabilities, demonstrates their ability to provide reliable support to the Group, including timely delivery of orders and a stable supply of footwear of consistent quality; and (iv) in light of the ongoing Sino-American trade tensions, Mr. Tsoi’s Associated Companies are able to provide access to non-PRC manufacturing alternatives, enabling the Group to support both existing and new customers with diversified sourcing options, including fulfilling orders destined for the U.S. market, we are of the view that the Proposed Continuing Connected Transaction is in the ordinary and usual course of business of the Group and entering into of the New Framework Agreement is in the interests of the Company and the Shareholders as a whole.

3. New Framework Agreement

3.1 Principal terms of the New Framework Agreement

On 7 November 2025 (after trading hours), the Company entered into the New Framework Agreement with Mr. Tsoi, pursuant to which Mr. Tsoi’s Associated Companies that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group. As the Existing Framework Agreement will expire on 31 December 2025, the Company entered into the New Framework Agreement with Mr. Tsoi on 7 November 2025, on substantially the same terms as the Existing Framework Agreement, pursuant to which certain companies of Mr. Tsoi’s Associated Companies will continue to manufacture and supply various footwear to the Group for a term of 3 years commencing from 1 January 2026 to 31 December 2028.

The principal terms of the New Framework Agreement are summarized as follows:

Date: 7 November 2025 (after trading hours)

Parties: (1) The Company; and
(2) Mr. Tsoi.

Nature of transactions:

Subject to the fulfilment of the conditions precedent, Mr. Tsoi agreed that certain companies controlled by his associates that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group. The specific type(s), quantity(ies) and other specifications of the footwear to be manufactured and supplied by Mr. Tsoi's Associated Companies will be subject to further written confirmation(s) between the members of the Group and Mr. Tsoi's Associated Companies on arm's length and on normal commercial terms from time to time and as necessary.

The annual transaction amounts shall not exceed the Proposed Annual Caps and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

Duration:

The term of the New Framework Agreement shall be for a period commencing from 1 January 2026, or the date on which the New Framework Agreement is approved by the Independent Shareholders at the EGM, whichever is later, and ending on 31 December 2028, subject to early termination by any party therein giving at least three months' prior written notice to the other party.

The parties therein may extend or renew such term by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

Conditions precedent:

The New Framework Agreement shall become effective upon the approval by the Independent Shareholders with respect to the entering into of the New Framework Agreement and the transactions contemplated therein having been obtained.

Pricing policy:

The prices payable by the members of the Group for the footwear manufactured by Mr. Tsoi's Associated Companies in accordance with the specifications of the members of the Group shall be subject to further written confirmation(s) between the members of the Group and Mr. Tsoi's Associated Companies, and be negotiated on arm's length and on normal commercial terms before a new purchase order for a new style of footwear is placed by a member of the Group.

In order to determine and ascertain that the price of the footwear to be supplied to the members of the Group under the New Framework Agreement and the terms offered by Mr. Tsoi's Associated Companies are (i) made on a fair and reasonable basis; (ii) in accordance with normal commercial terms; and (iii) comparable to those offered by Independent Third Parties, the members of the Group shall obtain fee quotation(s) from other comparable supplier(s) that is/are Independent Third Party(ies) for the manufacturing and supply of the same or comparable type, nature and quality of footwear in similar quantities.

The members of the Group shall only purchase from Mr. Tsoi's Associated Companies on terms no less favourable than those available to the members of the Group from comparable Independent Third Party suppliers.

For further details of the New Framework Agreement, please refer to the Letter from the Board.

We have reviewed and compared the terms of the New Framework Agreement and the Existing Framework Agreement and note that, other than (a) extension of the term of the Existing Framework Agreement to 31 December 2028; and (b) Proposed Annual Caps, there has been no material change between the terms of the two aforesaid agreements.

For our due diligence purpose, we have (i) obtained and reviewed the purchase control policy and procedures of the Group; (ii) obtained and reviewed a full purchase list for the six months ended 31 December 2023, the year ended 31 December 2024 and nine months ended 30 September 2025; and (iii) reviewed and compared 30 sample copies of historical transaction records, including purchase orders and invoices, in respective of the purchases made by the Group to independent third parties and Mr. Tsoi's Associated Companies. The samples under review represent the top 5 purchase transactions of the footwear between the Group and Mr. Tsoi's Associated Companies for each of the period (a) from 1 July 2023, being the commencement date of the continuing connected transactions, to 31 December 2023, being the year end of the Company; (b) the year ended 31 December 2024; and (c) the period from 1 January 2025 to 30 September 2025. Each selected continuing connected transaction sample will be compared with the sample of transactions with independent third parties on the same corresponding period with a similar product. Therefore, each period includes a total of 10 samples of continuing connected transactions and transactions with independent third parties. We consider the above selection criteria is fair and reasonable for our analysis as the samples covered all the footwear over the term of the Existing Framework Agreement and all samples of continuing connected transactions represent the top 5 transactions of such period. After reviewing the selected sample copies of historical transaction records, we note that (i) each purchase transaction was made in compliance with the Group's purchase control policy; and (ii) the purchase prices of the footwear offered by Mr. Tsoi's Associated Companies to the Group, were no less favourable than those offered by independent third parties within the same period.

Having considered that (i) the adequate pricing policy and internal control measures after reviewing the documents; (ii) the purchase prices of the footwear offered by Mr. Tsoi's Associated Companies to the Group, were no less favourable than those offered by independent third parties for the same period; (iii) flexibility for the Group to choose purchase of the footwear from independent third parties if the Group has better offer; and (iv) reasons for and benefits of entering into of the New Framework Agreement as discussed in the section headed "2. Reasons for and benefits of the Proposed Continuing Connected Transaction" above, we are of the view that the terms of the New Framework Agreement are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Group and 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. Proposed Annual Caps

The Proposed Annual Caps in respect of the amounts payable by the Group to Mr. Tsoi's Associated Companies under the New Framework Agreement for the three years ending 31 December 2026, 2027 and 2028 are as follows:

	For the year ending 31 December		
	2026	2027	2028
	(HK\$' million)	(HK\$' million)	(HK\$' million)
Proposed Annual Caps	172.5	172.5	172.5

As stated in the Letter from the Board, the annualised actual transaction amount for footwear products purchased from Mr. Tsoi's Associated Companies under the Existing Framework Agreement is expected to be approximately HK\$129.0 million for the year ending 31 December 2025, demonstrating steady growth from HK\$38.6 million for the six months ended 31 December 2023. The Company expects stable demand from existing footwear business and additional growth potential from new customers in the upcoming years. Accordingly, the Proposed Annual Caps of HK\$172.5 million for each of the three years ending 31 December 2026, 2027 and 2028 have been determined with reference to (i) the historical purchase volume from Mr. Tsoi's Associated Companies under the Existing Framework Agreement; (ii) the historical purchase price from Mr. Tsoi's Associated Companies under the Existing Framework Agreement; (iii) the anticipated stable transaction amounts from existing customer demands; and (iv) the anticipated purchase orders to suppliers for fulfilling new customer demands. The Proposed Annual Caps are adequate to accommodate both the continuing demand from existing business and potential orders from new customers, while providing flexibility for strategic allocation of production to non-PRC facilities to enhance supply chain resilience and optimize tariff advantages amid ongoing Sino-American trade tensions.

The historical transaction amounts and the annual caps for the transactions under the Existing Framework Agreement were as follows:

	Existing Annual Caps (HK\$' million)	Actual transaction amounts (HK\$' million)
For the six months ended 31 December 2023	78.2	38.6
Year ended 31 December 2024	164.2	109.6
Year ending 31 December 2025	172.5	N/A
For the nine months ended 30 September 2025	N/A	97.4

Based on the above information, we note that the utilisation rate was approximately 49%, 67% and 75% (after the actual transaction amount being annualised) for the six months ended 31 December 2023, the year ended 31 December 2024 and the nine months ended 30 September 2025, respectively. As stated in the Letter from the Board, the relatively low initial transaction amount and subsequent growth pattern reflects the time required to establish, optimize and streamline collaboration processes and logistics arrangements with Mr. Tsoi's Associated Companies. Following the enhancement of operational synergies, the growth in purchase volume and utilization rate has contributed to gradual increase in actual transaction amounts, reflecting improvement in supply arrangement. As at the Latest Practicable Date and for the year ending 31 December 2025, the transaction amount of the transaction under the Existing Framework Agreement did not and is not expected to exceed the Existing Annual Cap for the year ending 31 December 2025.

To assess the fairness and reasonableness of the Proposed Annual Caps, we reviewed calculation breakdown and discussed with the management of the Company, in particular,

(i) the utilisation rate for FY2025 is already approximately 75% (after the actual transaction amount being annualised) under the Existing Annual Caps of HK\$172.5 million for FY2025 as shown above. Based on our discussion with the management of the Company, as at the Latest Practicable Date, the Company has received requests for quotations from new customers for the sale of footwear in 2026, which is expected to further increase the purchase amount from connected person;

(ii) the purchase volume of approximately 4.9 million pairs of footwear for each of the financial years ending 31 December 2026, 2027 and 2028 is estimated with reference to the actual sales volume of approximately 4.2 million pairs of footwear for the nine months ended 30 September 2025 and the new customers' order for 2026 in the calculation breakdown we have reviewed;

(iii) as discussed in the paragraph headed "1.2 Financial information of the Group" above, the revenue of Footwear Business for HY2025 showed an insignificant increase of approximately 6% compared to HY2024, remaining relatively stable at approximately RMB234.40 million and RMB248.87 million for HY2024 and HY2025, respectively;

(iv) the on-going trade tensions between the United States and China have led to the imposition of additional tariffs on goods manufactured in China, which increases trading costs and creates uncertainty for global supply chains in macro-economic environment, as discussed in the paragraph headed "2. Reasons for and benefits of the Proposed Continuing Connected Transaction" above; and

(v) benefits of securing the sustainable supply of footwear with consistent quality from Mr. Tsoi's Associated Companies in both PRC and outside PRC as discussed in the paragraph headed "2. Reasons for and benefits of the Proposed Continuing Connected Transaction" above.

Therefore, we agree with the management of the Company to adopt a conservative approach to estimate annual caps for each of the financial years ending 31 December 2026, 2027 and 2028, remaining stable over the three years based on the Existing Annual Caps of HK\$172.5 million for FY2025 and we consider that the Proposed Annual Caps under the New Framework Agreement are fair and reasonable.

5. Internal control

As stated in the Letter from the Board, in order to safeguard the overall interests of the Company and the Shareholders, the Company has adopted the following internal control measures in order to regulate the Group's transactions with Mr. Tsoi's Associated Companies:

- (i) the quotation team, the merchandising department and the accounting department of the Group shall ensure that the terms of all purchase orders are in compliance with the New Framework Agreement and the relevant departments and personnel must be satisfied that (i) all purchase orders are appropriately reviewed and approved; (ii) the pricing policies and internal procedures adopted by the Group have been fully complied with; (iii) each transaction thereunder is on normal commercial terms; (iv) the purchase price of the relevant products from Mr. Tsoi's Associated Companies are no less favourable than the prices offered by Independent Third Parties; and (v) the Proposed Annual Caps have not been and will not be exceeded having taking into account the details of the relevant purchase orders;
- (ii) before a new purchase order for a new style of footwear is placed by a member of the Group, the Group's quotation team shall obtain at least two fee quotations from other comparable suppliers that are Independent Third Parties for the manufacturing and supply of the same or comparable type, nature and quality of footwear in similar quantities. These fee quotations shall then be reviewed and evaluated by the Group's quotation team and compared against the quote from Mr. Tsoi's Associated Companies to ensure that the quote from Mr. Tsoi's Associated Companies is on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties. The Group will only accept a fee quotation submitted by Mr. Tsoi's Associated Companies if the terms offered by Mr. Tsoi's Associated Companies are competitive and comparable to those offered by other Independent Third Party suppliers;
- (iii) the Group's accounting department will review the transactions with Mr. Tsoi's Associated Companies on a quarterly basis to identify any transactions that may be at risk of exceeding the Proposed Annual Caps;
- (iv) the Group's accounting department will submit a quarterly report to the independent non-executive Directors for the purpose of reporting on the transactions with Mr. Tsoi's Associated Companies under the New Framework Agreement to enable the independent non-executive Directors to assess as to whether the transactions with Mr. Tsoi's Associated Companies under New Framework Agreement have been in compliance with the Group's internal control measures and the terms of the New Framework Agreement; and
- (v) transactions under the New Framework Agreement will be reviewed annually by the auditors of the Group and the independent non-executive Directors, and reported in the annual reports of the Company in order to ensure that the transactions carried out under the New Framework Agreement are in accordance with the terms and conditions of the New Framework Agreement, on normal commercial terms (or terms no less favourable than those offered by Independent Third Parties), and in accordance with the Group's pricing policy and the pricing principles stipulated under the Listing Rules.


Accordingly, we have reviewed the documents of the internal control measures in respect of the Proposed Continuing Connected Transaction. Based on our review on documents of the internal control measures and the documents of the historical transactions of the continuing connected transactions under the Existing Framework Agreement, which were selected as samples for our assessment on the terms of the New Framework Agreement as discussed above in this letter, we consider the internal control measures are adequate and effective to ensure that the Proposed Continuing Connected Transaction will be on normal commercial terms and no less favourable to the Group than those offered by independent third parties.

RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the New Framework Agreement, including the Proposed Annual Caps and the transactions contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Proposed Continuing Connected Transaction and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited



Gina Leung
Managing Director



Psyche So
Associate Director

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

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