11 November 2026

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS FOR PREVIOUSLY FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE 2026 MASTER SUPPLY FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2026 Master Supply Framework Agreement, 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 11 November 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 1 January 2026 (after trading hours), the Company and Shanghai YCT have entered into the 2026 Master Supply Framework Agreement, pursuant to which the Company agreed, for and on behalf of the Group, to supply, and Shanghai YCT agreed, for and on behalf of the Shanghai YCT Group, to purchase certain semi-conductor electronic component products from time to time from the date of the agreement to 31 December 2026. The transactions contemplated thereunder constituted fully exempt continuing connected transactions for the Company at the relevant time based on the Original Supply Annual Cap.

After taking into account the actual transaction amounts and the expected business requirements of the Group for the remaining term, the Company expects that the Original Annual Caps will be insufficient to meet the needs of the Group. In view of the above, on 23 June 2026 (after trading hours), the Company and Shanghai YCT entered into the Supplemental Supply Deed to (i) increase the Original Supply Annual Cap to the Revised Supply Annual Caps; and (ii) to extend the term of the 2026 Master Supply Framework Agreement from one year to a term of three years ending 31 December 2028.

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Shanghai YCT is the controlling shareholder of the Company interested in approximately 74.72% of the issued share capital of the Company through its indirect wholly-owned subsidiary, Texin, and is ultimately controlled by Mr. Xie Lishu, the Chairman and executive Director and his spouse, Ms. Huang Shaoli, a non-executive Director. As such, Shanghai YCT is a connected person of the Company and the transactions contemplated under the 2026 Master Supply Framework Agreement (as supplemented by the Supplemental Supply Deed) constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(1) of the Hong Kong Listing Rules, if the Company proposes to revise the Original Supply Annual Cap, the Company will have to re-comply with the provisions of Chapter 14A of the Hong Kong Listing Rules applicable to the relevant continuing connected transactions.

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) relating to the Revised Supply Annual Caps under the 2026 Master Supply Framework Agreement exceed 5% and the transaction amounts are over HK$10,000,000 on an annual basis, the Revised Supply Annual Caps, the 2026 Master Supply Framework Agreement, the Supplemental Supply Deed and the transactions contemplated thereunder are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising Chong Eng Wee, Lau Chin Huat, Tso Sze Wai and Jiang Maolin, all being independent non-executive Directors, has been formed to consider, and to advise the Independent Shareholders in respect of the Revised Supply Annual Caps, the terms of the 2026 Master Supply Framework Agreement and the Supplemental Supply Deed are fair and reasonable so far as the Independent Shareholders are concerned. Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the 2026 Master Supply Framework Agreement and the Supplemental Supply Deed; (ii) the annual report of the Company (the "**2025 Annual Report**") for the years ended 31 December 2025 ("**FY2025**") and the annual report of the Company (the "**2024 Annual Report**") for the nine months ended 31 December 2024 ("**FY2024**"); (iii) the interim report of the Company (the "**2026 Interim Report**") for the six months ended 30 June 2026 ("**1H2026**"); (iv) other information contained or referred to in the Circular; and (v) relevant market data and information available from public sources.

We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations provided to us or contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group, Shanghai YCT and any of their respective subsidiaries and associates.

OUR INDEPENDENCE

We are not connected with the Directors, chief executive and substantial shareholders of the Company, the Group, Shanghai YCT or any of their respective subsidiaries or associates and do not have any shareholding, direct or indirect, in any member of the Group, Shanghai YCT or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or Shanghai YCT as at the Latest Practicable Date.

Aside from this engagement and our appointment as the independent financial adviser to the Company in relation to, 2026 Master Purchase Framework Agreement (which did not require the Independent Shareholders' approval under the Hong Kong Listing Rules), there was no other engagements between the Company and us within the last two years.

No arrangement exists whereby we will receive any benefits from the Group or the Directors, chief executive and substantial shareholders of the Company, the Group, Shanghai YCT or any of their respective subsidiaries or associates for our services to the Company in connection with the aforesaid engagements, aside from our professional fees. Therefore, we consider ourselves independent to act as the Independent Financial Adviser to the Company pursuant to Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee and Independent Shareholders, we have considered the following principal factors and reasons:

1. Information about the Group

1.1 Background information of the Group

The Group is principally engaged in the distribution of electronic components for use in the industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services and automotive segments, as well as the provision of engineering solutions.

1.2 Financial performance of the Group

A summary of the financial information of the Group for the year ended 31 December 2025 and the six months ended 30 June 2026, together with the respective comparative figures as extracted from the 2025 Annual Report and the 2026 Interim Report is set out below:

	Six months ended 30 June		Year ended 31 December	Nine months ended 31 December
	2026	**2025**	**2025**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	1,475,191	1,158,844	2,358,253	1,828,900
Gross profit	151,069	113,719	218,518	68,336
Profit/(losses) attributable to owners of the Company	61,470	20,726	50,958	(61,601)

For FY2025, the Group recorded a profit attributable to owners of the Company of HK$51.0 million, representing a robust turnaround from the net attributable loss of HK$61.6 million posted in FY2024. The significant improvement in the Group's financial performance during the FY2025 was primarily driven by a general improvement in gross profit margin to approximately 9.3% for FY2025, up from approximately 3.7% for FY2024. The margin expansion was largely due to a net reversal of allowance for inventories made in FY2025, which was mainly attributable to (i) the improved pricing due to recovering market demand; and (ii) the successful efforts to clear aged inventories.

The Group's revenue increased by 27.3% to HK$1,475.2 million in 1H2026 as compared to HK$1,158.8 million in relevant period in 2025 ("**1H2025**"). The Group recorded its profit to approximately HK$61.5 million for 1H2026 as compared to a profit of approximately HK$20.7 million for 1H FY2025. Such significant improvement in the Group's profit is mainly attributable to the significant improvement in sales revenue during 1H2026 as compared with 1H2025.

1.3 Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2025 and 2024 and 30 June 2026 as extracted from the 2025 Annual Report and the 2026 Interim Report:

	As at 30 June 2026	As at 31 December 2025	2024
	HK$'000 (unaudited)	*HK$'000* (audited)	*HK$'000* (audited)
Non-current assets	216,726	211,789	233,051
Current assets	1,330,032	1,147,810	1,181,424
Total assets	**1,546,758**	**1,359,599**	**1,414,475**
Non-current liabilities	1,894	1,197	15,355
Current liabilities	966,409	850,978	980,848
Total liabilities	**968,303**	**852,175**	**996,203**
Net assets	**578,455**	**507,424**	**418,272**

As at 31 December 2025, the Group recorded a total assets of approximately HK$1,359.6 million, representing a decrease of approximately 3.9% as compared to that of approximately HK$1,414.5 million as at 31 December 2024. Such decrease was mainly attributable to the decrease in current assets as a result of the decrease in inventories during FY2025. The Group recorded a total liabilities of approximately HK$852.2 million as at 31 December 2025, representing a decrease of approximately 14.5% as compared to that of approximately HK$996.2 million as at 31 December 2024. Such decrease was mainly attributable to the decrease in current liabilities, which in turn was mainly attributable to the decrease in trade payables and loans from Shanghai YCT, partially offset by the increase in bank borrowings.

Accordingly, the Group recorded net assets of approximately HK$507.4 million as at 31 December 2025, representing an increase of approximately 21.3% as compared to that of approximately HK$418.3 million as at 31 December 2024.

As at 30 June 2026, the Group recorded a total assets of approximately HK$1,546.8 million, representing an increase of approximately 13.8% as compared to that of approximately HK$1,359.6 million as at 31 December 2025. Such increase was mainly attributable to the increase in current assets as a result of the increase in trade receivables during 1H2025. The Group recorded a total liabilities of approximately HK$968.3 million as at 30 June 2026, representing an increase of approximately 13.6% as compared to that of approximately HK$852.2 million as at 31 December 2025. Such increase was mainly attributable to the increase in current liabilities, which in turn was mainly attributable to the increase in trade payables and bank borrowings, partially offset by the decrease in loans from Shanghai YCT.

Accordingly, the Group recorded net assets of approximately HK$578.5 million as at 30 June 2026, representing an increase of approximately 14.0% as compared to that of approximately HK$507.4 million as at 31 December 2025.

2. Information about Shanghai YCT

Shanghai YCT is a well-known authorised distributor of electronic components and self-developed integrated circuit designer in the PRC. Shanghai YCT is engaged in the fields of automotive lighting, car cockpit and automobile wire-controlled chassis.

Shanghai YCT is headquartered in Shanghai, and its sales network covers the Asia-Pacific region. It has established offices in Kunshan, Shenzhen, Nanjing, Hangzhou, Tianjin, Hong Kong, Chongqing, and Foshan, as well as overseas offices in Seoul, South Korea, Singapore and India.

According to the 2025 annual report of Shanghai YCT, Shanghai YCT Group recorded a consolidated revenue of approximately RMB6,612.1 million for FY2025 (FY2024: approximately RMB3,609.9 million), representing an increase of 83.2% as compared with the previous year. Profit attributable to the shareholders of the company for FY2025 amounted to approximately RMB118.6 million (FY2024: approximately RMB99.4 million), representing an increase of 19.3% as compared with the corresponding period.

3. Principal terms of the 2026 Master Supply Framework Agreement (as proposed to be amended by the Supplemental Supply Deed)

On 23 June 2026, the Company entered into the Supplemental Supply Deed with Shanghai YCT to increase the Original Supply Annual Cap for supply of electronic components to Shanghai YCT Group and extend the contract period to the year ending 31 December 2028.

As extracted from the Letter from the Board, the principal terms of the 2026 Master Supply Framework Agreement (as proposed to be amended by the Supplemental Supply Deed) are summarized below:

Date:	1 January 2026 (the 2026 Master Supply Framework Agreement)
	23 June 2026 (the Supplemental Supply Deed)
Parties:	(i) The Group as the supplier; and
	(ii) The Shanghai YCT Group as the purchaser

Nature of the transaction:	Subject to the terms and conditions of the 2026 Master Supply Framework Agreement and each relevant sales order, the Group agrees to supply to the Shanghai YCT Group a variety of semi-conductor electronic component products from time to time during the effective term of the 2026 Master Supply Framework Agreement
Effective term:	The effective term of the 2026 Master Supply Framework Agreement (as amended by the Supplemental Supply Deed) will commence from the date of conclusion of the SGM to 31 December 2028 (both days inclusive)
Condition Precedent:	The Revised Supply Annual Caps, the 2026 Master Supply Framework Agreement, the Supplemental Supply Deed and transactions contemplated thereunder are conditional upon obtaining the necessary approval and consent under the Hong Kong Listing Rules and the SGX-ST Listing Manual, which includes the approval by the Independent Shareholders at the SGM
Pricing Policy:	The prices of the semi-conductor electronic component products will be determined on a cost-plus basis, which is determined by the costs of the products plus a mark-up to be agreed upon in accordance with the Company's usual business practices and pricing policy. The mark-up applied to the sales of products to the Shanghai YCT Group shall be determined with reference to the mark-up charged by the Group to independent third-party customers for identical products or, where such direct comparables are not available, for products of comparable quality, specifications and quantities. In all cases, the mark-up applied to products offered to Shanghai YCT Group shall be not less favourable than those offered to independent third-party customers for similar products. In the event that comparable products are not available from historical transactions offered to independent third-party customers, the mark-up will be determined with reference to the published market selling prices or quotes of comparable products obtained from independent electronic component distributors, online platforms, or suppliers.

In determining the pricing, the Group shall also take into account the direct costs of the semi-conductor electronic component products acquired by the Group. The mark-up is generally subject to a minimum of approximately 1.5%, while the overall mark-up is estimated to be in the range of approximately 6.9% to 16.6%, having regard to the (i) gross profit margin of historical transactions involving the supply of similar semi-conductor electronic component products to other independent third party customers; and (ii) the credit terms on which the products are supplied.

In order to ensure the terms of sales are in line with prevailing market rates and conditions, the Group will compare the selling prices of at least two comparable transactions involving semi-conductor electronic component products (or, where such transactions are not available, similar products) sold to independent third party customers, not less frequently than on a quarterly basis. The Group shall have the right to accept or reject the purchase transactions from Shanghai YCT Group after taking into account the Group's interests in undertaking the purchase transactions. The transactions shall be settled at such time and in such manner as specified in the relevant sales orders.

We have discussed the pricing policy as stated above with the management of the Group (the "**Management**"). The Management confirmed that, subject to practical availability and feasibility, the Group compares the profit margins of relevant products against at least two similar products sold to Independent Third Parties on at least a quarterly basis. This process ensures that all sales terms and pricing align with prevailing market rates and conditions prior to executing transactions with the Shanghai YCT Group. Where sufficient comparable transactions are unavailable, pricing is determined on a cost-plus basis, referencing published market selling prices or quotes of comparable products obtained from independent electronic component distributors, online platforms, or suppliers.

In order to assess the fairness and reasonableness of the pricing policy, we obtained a full list of all transactions made between the Group and the Shanghai YCT Group from 1 January 2025 to 31 May 2026 (the "**Review Period**"), which covered (i) the entire term of 2025 Master Supply Framework Agreement and (ii) the commencement of the term 2026 Master Supply Framework Agreement till the date of signing of the Supplemental Supply Deed. From the above list of transactions, we noted that there were no transactions in December 2025 and April and May 2026 conducted as the annual caps under the 2025 Master Supply Framework Agreement and 2026 Master Supply Framework Agreement were mostly utilised at material time and we selected the highest-value transaction for each month during the Review Period (14 selected transactions out of 309 transactions in total). We then obtained and reviewed the corresponding 14 sets of monthly invoices issued by the Group to the Shanghai YCT Group, to understand the pricing process and verify its consistency across all relevant subsidiaries.

Based on our review of 14 selected transaction samples, we noted that for the majority of cases (10 out of 14), the Group successfully identified at least two comparable transactions to determine cost-plus pricing, with mark-up margins benchmarked against similar products sold to Independent Third Parties within the preceding three months. Our examination of the relevant profit margins for these 10 samples confirmed that their profit margins were no less favorable than those offered to independent customers for similar products. For the remaining 4 samples where sufficient comparable transactions were unavailable for direct comparison due to the absence of transactions involving identical products or products of comparable specifications, quality, and volume within the preceding three-month period, we verified that their mark-up margins or selling prices were determined with reference to the published market selling prices or quotes of comparable products obtained from independent electronic component distributors. Among these 4 samples, the mark-up margins of 3 samples were no less favorable than those confirmed by the suppliers for those specific products, while the mark-up margin for the remaining sample (of approximately 60.0%) exceeded the high-end of the overall target mark-up range (being 6.9% to 16.6%) stipulated under the pricing policy. As such, we concur with the Management that the transactions conducted under the 2026 Master Supply Framework Agreement have been carried out in accordance with the pricing policy.

We consider the selected samples and the sample size (i.e. 14 selected transactions out of 309 transactions in total) which accounts for more than 30% of the total aggregate transaction value for the Review Period to be sufficient and representative for the purpose of assessing the pricing policy under the 2026 Master Supply Framework Agreement, given that: (i) the objective of our review is to understand the process of the pricing guidelines and the whole process of the transactions contemplated under the 2026 Master Supply Framework Agreement; (ii) the transaction population during the Review Period exhibits a high degree of value concentration and we have selected the highest-value transaction for each month during the Review Period independently from the full transaction list; (iii) samples were systematically selected from every month throughout the Review Period, which effectively demonstrates the continuous and consistent application of the pricing policy across different timeframes since the commencement of the 2025 Master Supply Framework Agreement; (iv) the selected samples covered the key transaction parties within the Shanghai YCT Group that accounted for over 90% of the total aggregate sales to the Shanghai YCT Group within the complete transaction summary; (v) the selection encompassed both comparable and non-comparable products, thereby covering the diverse pricing mechanisms and comparable scenarios set out under the pricing policy; and (vi) all selected samples were conducted in accordance with the relevant pricing policy, with no discrepancies identified.

Having considered the above, we are of the view that the terms of the Supplemental Supply Deed (with the same terms as 2026 Master Supply Framework Agreement) are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

Historical amounts and annual caps

Set out below are the existing annual caps and historical transaction amounts in respect of the transactions under the 2025 and 2026 Master Supply Framework Agreement, and the Revised Supply Annual Caps for the years ending 31 December 2026, 2027 and 2028 respectively.

	For the year ended 31 December	For the year ending 31 December		
	2025	2026	2027	2028
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Existing Annual Caps	7,900	2,999		
Historical transaction amount	7,523	2,914 (For the period from 1 January 2026 to 31 May 2026)	N/A	N/A
Utilization rate	95.2%	97.2%	–	–
Revised Annual Caps	N/A	70,000	70,000	70,000

As stated in the Letter of the Board, the Revised Supply Annual Caps have been determined with reference to (i) the transaction amount for the five months ended 31 May 2026 of approximately HK$2.9 million; (ii) the industry's steady recovery since early 2025, driven by the shortage of mid-to-high-end chips in the new energy vehicles and industrial control sectors and robust demand from high-growth segments such as artificial intelligence servers and optical modules, which have contributed to a significant increase in demand for the Group's products, as well as the projected and anticipated demand from Shanghai YCT Group for the Group's semi-conductor electronic component products for the remaining term of the 2026 Master Supply Framework Agreement, taking into account actual orders of approximately HK$24.8 million as of 31 May 2026, and deriving an annualised estimate of approximately HK$66 million by projecting the aggregate of the HK$2.9 million and the HK$24.8 million over a five month period to a full year period; and (iii) a buffer of approximately 6% to cater for possible exchange rate fluctuations between Renminbi and Hong Kong dollars, as the Group's reporting currency for its financial statements is in Hong Kong dollars. Such buffer was determined with reference to the historical fluctuation of the Renminbi/Hong Kong dollar exchange rate during 2025, which exhibited a peak-to-trough movement of approximately 5.4%, and was rounded up to 6% as a prudent allowance for potential future exchange rate fluctuations.

The historical transaction amount for the year ended 31 December 2025 of approximately HK$7.52 million does not fully reflect the actual demand for the relevant products. In determining the supply annual cap for the year ended 31 December 2025, the Company took into account the applicable thresholds under Chapter 9 of the SGX-ST Listing Manual and the aggregate value of all other interested person transactions (excluding transactions which are less than S$100,000) entered into or expected to be entered into with the Shanghai YCT Group during the year. As a result, approximately HK$7.9 million was allocated to the supply annual cap for the year ended 31 December 2025. Accordingly, the historical transaction amount is principally reflective of such allocation, rather than the actual business demand for the relevant products. The Revised Supply Annual Caps will therefore be a more accurate reflection of the expected actual demand as described above.

As illustrated in the table above, the utilization rates of the historical annual caps for the supply of semiconductor electronic component products under the 2025 and 2026 Master Supply Framework Agreements were approximately 95.2% for the year ended 31 December 2025 and approximately 97.2% for the year ending 31 December 2026. Therefore, these historical caps are considered to have been substantially fully utilized and is not sufficient to support the actual business demand.

To assess the fairness and reasonableness of the Revised Annual Caps, we have reviewed: (i) the schedules prepared by Management regarding the Group's historical transaction amounts with the Shanghai YCT Group from 2025 up to 31 May 2026; (ii) the schedules prepared by Management regarding the confirmed demand from the Shanghai YCT Group as at 31 May 2026; and (iii) the calculations and discussed with the Management the key assumptions adopted in projecting demand for the years ending 31 December 2026, 2027 and 2028. Based on our review, we understand that the Directors have taken into account the following factors:

(i) Actual Transaction Levels in Early 2026

- *The actual transaction amount*

The Group recorded actual sales of approximately HK$2.9 million to the Shanghai YCT Group for the five months ended 31 May 2026. We noted that the Group did not record any sales to the Shanghai YCT Group in April and May 2026. The Management advised that this cessation of sales was due to the constraints of the Original Annual Cap of HK$2,999,999 for the year ending 31 December 2026 under the 2026 Master Supply Framework Agreement.

- *Confirmed demand from the Shanghai YCT Group*

Due to the limitations imposed by the Original Supply Annual Cap, outstanding demand since March 2026 was deferred. Consequently, as at 31 May 2026, the Group had accumulated confirmed demands amounting to approximately HK$24.8 million from sales to the Shanghai YCT Group. Management indicated that these confirmed demands are backed by the Shanghai YCT Group's downstream demand primarily from its independent existing customers in the PRC operating across various sectors, including automotive electronics, consumer electronics, power and energy, instrumentation, industrial automation, electronic manufacturing services (EMS), and telecommunications and networking. Accordingly, corresponding formal sales orders are expected to be executed once the Revised Supply Annual Caps are approved. As discussed with the Management, although the confirmed demands received from the Shanghai YCT Group are not legally binding, they provide a reasonable and justifiable basis for projecting the overall demand for the year ending 31 December 2026, given the long-standing corporate relationship between the parties.

(ii) Projected demand for the year ending 31 December 2026

The Management estimated the total demand from Shanghai YCT Group for the five months ended 31 May 2026 to be approximately HK$27.5 million. This figure was derived by combining the actual sales from the five months ended 31 May 2026 with the accumulated confirmed demand as of 31 May 2026. By extrapolating this five months baseline, the Management projected the total demand for the year ending 31 December 2026 to be approximately HK$66.0 million, which is expected to remain stable across the subsequent periods.

To assess the reasonableness of extrapolating this five-month baseline to project full-year demand, we evaluated potential seasonality effects by reviewing the sales schedules for the Review Period. We observed an overall increase in supply during the second half of 2025 compared to the first half of 2025, except for the absence of recorded sales in December 2025, which was strictly attributable to the constraints of the historical annual caps. The average monthly sales during the second half of 2025 recorded an approximately 192.2% increase, as compared to that of the first half of 2025. As advised by the Management, this increase in supply was in line with the upward growth trend of overall sales of Shanghai YCT Group over the same period, as reflected in their published annual financial results. This growth momentum further accelerated in the first quarter of 2026 and is expected to continue throughout the remainder of 2026. Accordingly, we consider it reasonable to assume that demand from Shanghai YCT Group will continue steadily for the remainder of 2026. Consequently, we are of the view that the Directors' demand projections for the years ending 31 December 2026 to 2028, derived from the actual sales figures and confirmed demand requests, are prudent and justifiable.

(iii) Application of a 6% buffer for currency fluctuations

In arriving the Revised Supply Annual Caps, the Management has further applied a 6% buffer to the estimated demand for the year ending 31 December 2026 to accommodate potential RMB/HKD currency fluctuations. We note that this buffer is based on the annual volatility of RMB/HKD of approximately 6% recorded in 2025. In our view, the application of this buffer is reasonable and justifiable.

In light of the foregoing, we are of the view that the Revised Supply Annual Caps has been formulated with sufficient and reasonable basis and we concur with the Directors' view that the Revised Supply Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Reasons and benefits of entering into the 2026 Master Supply Framework Agreement and the Revised Supply Annual Caps

Following the expiry of the 2025 Master Supply Framework Agreement, the Independent Board has assessed the outcome of the transactions contemplated thereunder and considered that the transactions were carried out in a satisfactory manner and complied with the internal control measures implemented.

The Independent Board also continued to monitor the latest market developments and the financial position of the Group following the expiry of the 2025 Master Supply Framework Agreement. In assessing the 2026 Master Supply Framework Agreement, the Independent Board considered the Group's improved financial performance in 2025, including a 45% increase in revenue from the automotive segment revenue as compared with the nine months ended 31 December 2024, which was partly attributable to the successful clearance of slow-moving inventory and the resulting improvement in inventory turnover. The inventory turnover days significantly decreased to 1.9 months as at 31 December 2025, from 2.2 months as at 31 December 2024. The Independent Board also noted the strengthening of the Group's financial position, as reflected by the reduction in its net gearing ratio from 139.9% as at 31 December 2024 to 94.0% as at 31 December 2025. In light of the foregoing, the Independent Board considers that the 2026 Master Supply Framework Agreement will continue to provide the Group with an additional and readily accessible sales channel through the Shanghai YCT Group's established customer network thereby contemplating the Group's existing sales channels. The Independent Board further notes that the Group maintains a diversified customer base across multiple industry sectors and multiple sales channels independent of the Shanghai YCT Group, and continues to expand its customer base and explore new market opportunities through the optimisation of its product mix. The Independent Board does not consider that the transactions contemplated under the 2026 Master Supply Framework Agreement would result in any material reliance by the Group on the Shanghai YCT Group. In evaluating this assessment, we have analyzed the Revised Supply Annual Caps (i.e. HK$70.0 million) against the Group's historical financial performance. We noted that: (i) the Revised Supply Annual Caps represent less than 3% of the Group's total sales for FY2025; and (ii) the Group has recorded a sales growth of approximately 27.3% for 1H2026 as compared to 1H2025, and such increase amounted to approximately 4.5 times the value of the Revised Supply Annual Caps. Accordingly, as the transactions will be bound by the Revised Supply Annual Caps, the maximum potential revenue generated from these transactions is not expected to

constitute a material portion of the Group's total projected revenue for FY2026. As such, we concur with the Independent Board that notwithstanding the increase in the proposed Revised Supply Annual Caps, the Group will not be materially reliant on the Shanghai YCT Group.

The Independent Board further considers that the 2026 Master Supply Framework Agreement will enhance the Group's flexibility in responding to recovering market demand and support the continued optimisation of inventory levels, including the disposal of slow-moving and excess inventory. In addition, the entry into the 2026 Master Supply Framework Agreement is expected to also generate additional revenue for the Group and strengthen the Group's ability to cope with the competitive market environment. Accordingly, the Independent Board is of the view that the 2026 Master Supply Framework Agreement represents a valuable commercial opportunity for the Group and is in the interests of the Company and its shareholders as a whole.

After taking into account the actual transaction amounts and the expected business needs of the Group for the remaining term, the Company expects that the Original Supply Annual Cap shall no longer meet the needs of the Group and shall be soon exceeded. As such, the Company and Shanghai YCT entered into the Supplemental Supply Deed to increase the Original Supply Annual Cap to the Revised Supply Annual Caps for the three years ending 31 December 2028.

Further advised by the Management, the Group has established a strong historical business relationship with Shanghai YCT Group. As a result, the Group understands and can effectively accommodate their specific operational needs, including product mix, pricing structures, quantity requirements, and delivery terms. The Directors believe that the proposed Revised Supply Annual Caps under the 2026 Master Supply Framework Agreement will secure stable revenue and profit streams for the Group for the financial years ending 31 December 2026, 2027 and 2028.

Having considered the above reasons, we are of the view that the terms of the Supplemental Supply Deed and the Revised Supply Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

5. NON-COMPETITION UNDERTAKINGS

The Abstained Directors have provided non-competition undertakings in favour of the Company effective upon their appointment. As disclosed in the announcement dated May 19, 2023, the non-competition undertakings are intended to manage potential conflicts of interest arising from Mr. Xie Lishu's and Ms. Huang Shaoli's respective roles in both the Company and Shanghai YCT, given their similar business models, geographical presence, and overlapping suppliers and customers. The non-competition undertakings include, among others, measures such as restricting Mr. Xie Lishu and Ms. Huang Shaoli from participating in the Company's management where competition exists, requiring them to abstain from voting on conflicted matters, and granting the Company a right of first refusal on relevant business opportunities. In addition, the non-competition undertakings mandate annual compliance declarations by Mr. Xie Lishu and Ms. Huang Shaoli, independent board oversight, and disclosure obligations by the Company in its annual reports to Shareholders.

In accordance with the non-competition undertakings:

(i) each Abstained Director has recused himself/herself from participating in the discussions and abstained from voting on the resolutions of the Board for approving the entry into the 2026 Master Supply Framework Agreement, the 2026 Master Purchase Framework Agreement, the Supplemental Supply Deed, the Supplemental Purchase Deed, the Revised Supply Annual Caps and the transactions contemplated thereunder;

(ii) the Independent Board was responsible for deciding, in the absence of the Abstained Directors, regarding the 2026 Master Supply Framework Agreement, the 2026 Master Purchase Framework Agreement, the Supplemental Supply Deed, the Supplemental Purchase Deed, the Revised Supply Annual Caps and the transactions contemplated thereunder; and

(iii) the independent non-executive Directors have been provided with the financial information and other information and professional advice they have requested in relation to the 2026 Master Supply Framework Agreement, the 2026 Master Purchase Framework Agreement, the Supplemental Supply Deed, the Supplemental Purchase Deed and the Revised Supply Annual Caps, in order to make an informed decision.

Based on the assessment by the Independent Board, the Independent Board considers that the Abstained Directors have complied with the non-competition undertakings.

Taking into account the Overlap Limit and related internal control measures governing transactions involving identical products under overlapping brands, together with the non-competition undertaking executed by Mr. Xie Lishu and Ms. Huang Shaoli in favour of the Company, the Company considers that the Group and Shanghai YCT Group do not compete with each other in any material respect.

In evaluating this assessment, we have analyzed the Overlap Limit, being 3% of the aggregated transaction amount under the 2026 Master Supply Framework Agreement, against the Group's historical financial performance. We noted that the Overlap Limit under the 2026 Master Supply Framework Agreement represents less than 0.1% of the Group's total sales for FY2025. In addition, we discussed the internal control procedures regarding the Overlap Limit with Management. We understand that the Company's risk management manager will review the relevant sales figures and approve each transaction in the enterprise resource planning (ERP) system prior to execution to ensure that the aggregate value of such transactions does not exceed the Overlap Limit in any given year. Accordingly, as transactions involving identical products under overlapping brands will be strictly bound by the Overlap Limit, the maximum potential revenue generated from these transactions is expected to remain minimal. In view of the above, we concur with the view of the Company that the Group and Shanghai YCT Group do not compete with each other in any material respect.

6. Internal Control Measures

In order to ensure that the terms under the 2026 Master Supply Framework Agreement (as proposed to be amended by the Supplemental Supply Deed) are no less favourable than those offered by independent third parties, the Company has implemented internal control procedures and policies to monitor the continuing connected transactions and to ensure that all continuing connected transactions are entered into in accordance with pricing policies and are fair and reasonable in the interests of the Company and the Shareholders as a whole. Such measures include:

(i) the product manager of the sales and marketing department (the "**Product Manager**") will conduct regular checks (at least on a quarterly basis) to review and assess whether the continuing connected transactions are conducted in accordance with the sales orders under the 2026 Master Supply Framework Agreement, and will also regularly update the market prices (at least on a quarterly basis) for the purpose of considering if the prices charged for a specific transaction are fair and reasonable and in accordance with the respective pricing policies;

(ii) will engage its external auditor to report on the continuing connected transactions every financial year. The external auditor will provide a letter to the Board confirming the matters required under the Hong Kong Listing Rules including whether the continuing connected transactions are carried out in accordance with the relevant pricing policies and an annual review on the terms and annual caps of the continuing connected transactions; and

(iii) the independent non-executive Directors will also conduct an annual review regarding the effectiveness of the implementation and enforcement of the internal controls monitoring the continuing connected transactions.

The Product Manager will be responsible for determining the selling price and reviewing the gross profit margin (by comparing selling prices of similar semi-conductor electronic component products sold to other customers of the Group which are independent third parties for every sales order) to ensure the prices of the sales orders under the 2026 Master Supply Framework Agreement are in line with the pricing policies. The Product Manager shall determine whether the terms of the continuing connected transactions are fair and reasonable and conducted in accordance with the 2026 Master Supply Framework Agreement.

To ensure the continuing connected transactions will not exceed the respective annual caps, the Company's risk management manager shall check the sales amount at the enterprise resource planning system to ensure the approved annual caps would not be exceeded. Each relevant department shall nominate a senior manager/staff to be the responsible person (the "**Responsible Person(s)**") to report to the company secretary of the Company (the "**Company Secretary**") on a monthly basis, the value of the continuing connected transactions. The Company Secretary will also liaise with the Group's finance department each month to verify the actual transaction amounts. In the event that the Responsible Person receives any information that the approved annual cap may be exceeded, such information will also be

reported, alongside with the proposed response (i.e. revision of the annual cap(s)) to the Company Secretary, where such information shall be compiled and presented to the Board for deliberation and approval (with Directors having an interest in the transaction under consideration abstaining from such deliberation, review and approval process), and the Company will comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Hong Kong Listing Rules and the SGX-ST Listing Manual.

We discussed the internal control procedures with Management and confirmed that they fully understood and adhered to these protocols to ensure the pricing of the sales orders are in line with the pricing policies when conducting transactions under the 2025 and 2026 Master Supply Framework Agreements. As advised by Management, upon receiving a demand from the Shanghai YCT Group, the Sales and Marketing Department preliminarily discusses the intended quotation price for each product with the Shanghai YCT Group. The intended price is then submitted by the Sales Department to the Product Manager (or previously, the President of the Sales and Marketing Department) for approval before the sales orders are confirmed. The Product Manager (or previously, the President of the Sales and Marketing Department) is responsible for determining the final selling price and reviewing the gross profit margin by comparing the selling price of each order against similar semiconductor electronic component products sold to Independent Third Parties. This workflow guarantees that the pricing of all sales orders under the 2026 Master Supply Framework Agreement strictly complies with the pricing policies.

To evaluate how these procedures were practically executed, we obtained and reviewed sample confirmation records of the highest-value transaction for each month during the Review Period (14 selected transactions out of 309 transactions in total), signed by the President of the Sales and Marketing Department. These records confirmed that the prices of the sales orders issued to Shanghai YCT Group under the 2025 and 2026 Master Supply Framework Agreement strictly align with the Company's pricing policies. We consider the selected samples and the sample size to be sufficient and representative for the purpose of assessing control effectiveness under the 2026 Master Supply Framework Agreement, given that: (i) the transaction population during the Review Period exhibits a high degree of value concentration and we have selected the highest-value transaction for each month during the Review Period independently from the full transaction list; (ii) the selected samples covered transactions in every month throughout the Review Period, which effectively demonstrates the continuous and consistent application of the pricing policy across different timeframes since the commencement of the 2025 Master Supply Framework Agreement; (iii) the selected samples covered the key transaction parties within the Shanghai YCT Group that accounted for over 90% of the total aggregate sales to the Shanghai YCT Group within the complete transaction summary; (iv) every transaction under the 2025 and 2026 Master Supply Framework Agreements shared the identical internal control framework; (v) the primary objective of our review was to understand and verify the practical implementation of the control mechanism; and (vi) all reviewed samples were executed in compliance with the relevant internal control protocols and therefore no further samples were required.

The Management also advised that, in light of rising transaction volumes with the Shanghai YCT Group, individual Product Managers (each overseeing different brands or product lines) will now be responsible for confirming selling prices and reviewing gross profit margins. In view of the above, we concur with the Directors' view that the current internal control measures, enhanced by this expanded division of supervisory labor, are effective and sufficient to ensure that all future sales orders under the 2026 Master Supply Framework Agreement strictly align with the Company's pricing policies.

We also obtained and reviewed three samples of monthly sales reports (out of a total population of 17 months during the Review Period) prepared by the sales team for submission to the company secretary, as well as records of the verification of actual transaction amounts conducted between the company secretary and the finance department. We consider that such a sample size is sufficient and representative relative to the total population of 17 months given that (i) the control mechanism followed the same internal control procedures consistently throughout the Review Period; (ii) the primary objective of our review was to verify the practical implementation of the control mechanism; and (iii) all reviewed samples were executed in compliance with the relevant internal control protocols. It was further noted that these procedures enabled the Management to identify in advance that the annual caps might be exceeded in December 2025 and since March 2026 and to monitor transactions during these periods to ensure compliance with the announced or approved annual caps. Accordingly, we concur with the Directors' view that the Group's monthly monitoring and reporting internal control measures are effective and sufficient to prevent any unauthorized breach of the revised annual caps going forward.

Furthermore, based on the independent assurance report on continuing connected transactions issued by the external auditor engaged by the Company, we are not aware of any non-compliance with the internal control measures outlined above.

Based on the above reasons, we are of the view that proper internal control procedures are in place to ensure that the transactions contemplated under the 2026 Master Supply Framework Agreement (as amended and supplemented by the Supplemental Supply Deed) will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and on normal commercial terms or better and in the ordinary and usual course of business of the Group.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Revised Supply Annual Caps, the 2026 Master Supply Framework Agreement and the Supplemental Supply Deed are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the upcoming SGM to approve Revised Supply Annual Caps, the 2026 Master Supply Framework Agreement, the Supplemental Supply Deed and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Frontpage Capital Limited

Wu Man Kit
Director

Mr. Wu Man Kit is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Frontpage Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 13 years of experience in corporate finance.