LETTER FROM THE SINGAPORE IFA TO THE INDEPENDENT BOARD AND AUDIT COMMITTEE OF WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

STIRLING COLEMAN CAPITAL LIMITED
(Company Registration No.:200105040N)
9 Raffles Place, Level 6
Republic Plaza
Singapore 048619

Date: 11 November 2026

To: The Independent Board (defined herein) and the Audit Committee of Willas-Array Electronics (Holdings) Limited (the "**Company**"), whose member comprises:

Mr. Chong Eng Wee;
Mr. Lau Chin Huat;
Mr. Tso Sze Wai; and
Mr. Jiang Maolin

Dear Sirs,

INDEPENDENT FINANCIAL ADVISER'S ADVICE IN RESPECT OF A PROPOSED GENERAL MANDATE FROM SHAREHOLDERS IN RELATION TO THE MANDATED INTERESTED PERSON TRANSACTIONS CONTEMPLATED UNDER THE 2026 MASTER SUPPLY FRAMEWORK AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL DEEDS) AND THE 2026 MASTER PURCHASE FRAMEWORK AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL DEEDS) ENTERED INTO BETWEEN THE COMPANY AND INTERESTED PERSONS (THE "PROPOSED IPT GENERAL MANDATE")

*For the purpose of this letter ("**IFA Letter**"), capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 11 November 2026 to Shareholders (the "**Circular**").*

1 INTRODUCTION

Following the expiry of the 2025 Master Purchase Framework Agreement and 2025 Master Supply Framework Agreement on 31 December 2025, the Company had on 1 January 2026 entered into the following agreements:

1) An agreement with Shanghai YCT Electronics Group Co., Ltd. ("**Shanghai YCT**") pursuant to which the Company and its subsidiaries (the "**Group**") agreed to purchase certain semi-conductor electronic component products from Shanghai YCT and its subsidiaries but excluding the Group (the "**Shanghai YCT Group**") from time to time from the date of the agreement to 31 December 2026 (the "**2026 Master Purchase Framework Agreement**").

2) An agreement with Shanghai YCT pursuant to which the Group agreed to supply certain semi-conductor electronic component products to Shanghai YCT Group from time to time from the date of the agreement to 31 December 2026 (the "**2026 Master Supply Framework Agreement**").

(together, the "**Framework Agreements**")

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 for the above continuing connected transactions will be insufficient to meet the needs of the Group. On 23 June 2026, 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.

Shanghai YCT is an Interested Person

As at the Latest Practicable Date, Shanghai YCT is a controlling shareholder (as such term is defined under the SGX-ST Listing Manual) of the Company holding deemed interest in 76,955,745 Shares, representing approximately 74.72% of the issued share capital of the Company. Such deemed interests arise from the Shares held through Texin, an indirect wholly-owned subsidiary of Shanghai YCT. As such, Shanghai YCT is an interested person of the Company within the meaning of Chapter 9 of the SGX-ST Listing Manual and accordingly, the transactions contemplated under the Framework Agreements constitute interested person transactions within the meaning of Chapter 9 of the SGX-ST Listing Manual.

Proposed IPT General Mandate for the Continuing Connected Transactions

Under the Framework Agreements and as proposed to be amended by the Supplemental Deeds, the Group will from time to time, enter into the following recurring transactions in the ordinary course of business:

(i) Sale of certain semi-conductor electronic component products to the Shanghai YCT Group, subject to an annual cap of HK$70 million; and

(ii) Purchase of certain semi-conductor electronic component products from the Shanghai YCT Group, subject to an annual cap of HK$9,999,999.

(together, the "**Continuing Connected Transactions**").

Rule 920 of the SGX-ST Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons. Such a general mandate is subject to annual renewal.

Due to the time-sensitive and recurring nature of the Continuing Connected Transactions, and the need for smooth and efficient conduct of business, the Company is seeking a general mandate from its shareholders (the "**Proposed IPT General Mandate**") to cover these transactions to be undertaken between the Group and Shanghai YCT Group (the "**Mandated Transactions**").

Stirling Coleman Capital Limited ("**SCCL**") has been appointed as the independent financial adviser (the "**IFA**") to express an opinion on whether the methods and review procedures of the Company for determining transaction prices in the Proposed IPT General Mandate, if adhered to, are sufficient to ensure that the Mandated Transactions covered under the Proposed IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders.

This IFA Letter sets out our evaluation of, and our opinion in respect of, the methods and review procedures to be covered under the Proposed IPT General Mandate.

2 TERMS OF REFERENCE

We have prepared this IFA Letter pursuant to Listing Rules 920(1)(b)(v) for inclusion in the Circular, as well as for the use of the members of the Board who do not have interest in the transactions (the "**Independent Board**") and the Audit Committee in connection with their consideration of the Proposed IPT General Mandate for the Mandated Transactions and their advice and recommendation to the Independent Shareholders in respect thereof. The recommendations made to the Independent Shareholders in relation to the Proposed IPT General Mandate remain the responsibility of the Audit Committee.

We were not involved in any aspect of the negotiations in relation to the Framework Agreements, the Supplemental Deeds and the Mandated Transactions (which comprise the Continuing Connected Transactions contemplated under the Framework Agreements), and the inclusion of the Mandated Transactions under the Proposed IPT General Mandate, nor were we involved in the deliberations leading up to the decision on the part of the directors of the Company (the "**Directors**") to include the Mandated Transactions under the Proposed IPT General Mandate. Accordingly, we do not, by this IFA Letter, warrant the merits of the Mandated Transactions and the Proposed IPT General Mandate other than to express an opinion on whether the methods and review procedures for determining transaction prices of the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders.

For the purposes of arriving at our opinion, we have considered the methods and review procedures of the Company for determining transaction prices of the Mandated Transactions and the additional internal control procedures set out in the Proposed IPT General Mandate, but our terms of reference do not require us to evaluate or comment on the rationale for, legal, strategic and commercial risks and/or merits (if any) of the Mandated Transactions or the Proposed IPT General Mandate, or on the future financial performance or prospects of the Group, or to compare the relative merits of the Mandated Transactions or the Proposed IPT General Mandate with alternative transactions considered by the Company (if any) or which may otherwise be available to the Company currently or in the future, and we have not made such evaluations or comments. Such evaluations or comments shall remain the responsibility of the Directors and the management of the Company ("**Management**"), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

In formulating our opinion and recommendation, we have held discussions with the Directors and the Management and have examined publicly available information and we have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers.

We have relied upon the assurance of the Directors and the Management that all statements of fact, opinion and intention made by the Directors and the Management in the Circular have been reasonably made after due and careful enquiry. We have also relied upon the assurance of the Interested Persons that all statements of fact, opinion and intention made by them relating to the Interested Persons as well as any other information relating to the Interested Persons in the Circular have been reasonably made after due and careful enquiry. We have not independently verified such information but have made such reasonable enquiries and exercised our judgement as we deemed appropriate on such information and have no reason to doubt the accuracy or reliability of the information used for the purposes of our evaluation. Accordingly, we cannot and do not expressly and impliedly represent or warrant, and do not accept any responsibility for the accuracy, or completeness or adequacy of such information or the manner in which it has been classified or presented or the basis of any valuation which may have been included in the Circular or announced by the Company. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. Accordingly, we do not express an opinion herein as to the prices at which the Shares of the Company may trade upon or after the completion of the Proposed IPT General Mandate.

Our opinion set out in this IFA Letter is based upon market, economic, industry, monetary and other applicable conditions prevailing on, as well as information made available to us as at, the Latest Practicable Date. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent developments after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements which may be released by the Company after the Latest Practicable Date which are relevant to the Mandated Transactions and/or the Proposed IPT General Mandate.

In rendering our services, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and

profiles, we would advise you to recommend that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the methods and review procedures for determining transaction prices of the Mandated Transactions, should be considered in the context of the entirety of this IFA Letter and the Circular. Where information in this IFA Letter has been extracted from the Circular, Shareholders are urged to read the corresponding sections in the Circular carefully.

3 THE PROPOSED IPT GENERAL MANDATE

Under Chapter 9 of the Listing Manual, where a listed company or any of its subsidiaries or any of its associated companies which is an entity at risk proposes to enter into transactions with the listed company's interested persons, the listed company is required to seek independent shareholders' approval if the value of the transaction (either in itself or aggregated with the value of other transactions with the same interested person) is equal to or exceeds 5.0% of the group's latest audited NTA. For the avoidance of doubt, the requirement for independent shareholders' approval does not apply to any transaction below S$100,000.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

Information on the Framework Agreements, the Supplemental Deeds, the Mandated Transactions, and the proposed adoption of the Proposed IPT General Mandate are set out in **Sections 3,4,5,7 and 11** of the Circular, relevant extracts of which are reproduced below.

3.1 Rationale for and benefits of the Proposed IPT General Mandate

It is not within our terms of reference to comment or express an opinion on the merits of the Mandated Transactions and the adoption of the Proposed IPT General Mandate or the prospects of the Group upon the adoption of the Proposed IPT General Mandate. Nevertheless, we have reviewed the rationale for and the benefits of the Proposed IPT General Mandate to the Group as set out in **Section 11.2** of the Circular, extract of which has been reproduced below:

"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.

As at the Latest Practicable Date, Shanghai YCT is a controlling shareholder (as such term is defined under the SGX-ST Listing Manual) of the Company holding deemed interest in 76,955,745 Shares, representing approximately 74.72% of the issued share capital of the Company. Such deemed interests arise from the Shares held through Texin, an indirect wholly-owned subsidiary of Shanghai YCT. As such, pursuant to Rule 904(4) of the SGX-ST Listing Manual, Shanghai YCT is an interested person of the Company within the meaning of Chapter 9 of the SGX-ST Listing Manual vis-à-vis the Company and its subsidiaries, which are regarded as "entities at risk" pursuant to Rule 904(2) of the SGX-ST Listing Manual. Accordingly, transactions between the Group and the Shanghai YCT Group constitute interested person transactions within the meaning of Chapter 9 of the SGX-ST Listing Manual.

The Group has entered into the 2026 Master Supply Framework Agreement and the 2026 Master Purchase Framework Agreement and, on June 23, 2026, entered into the Supplemental Supply Deed

and the Supplemental Purchase Deed to, among others, revise the relevant annual transaction caps and extend the term of the respective framework agreements. The Group expects to enter into certain recurrent transactions with the Shanghai YCT Group pursuant to the 2026 Master Supply Framework Agreement (as proposed to be amended by the Supplemental Supply Deed) and the 2026 Master Purchase Framework Agreement (as proposed to be amended by the Supplemental Purchase Deed), as set out in Section 11.3 of the Circular. The transactions contemplated are expected to occur in the ordinary course of business to leverage on synergies between the businesses of the two groups. Such recurrent transactions are likely to occur with some degree of frequency and are part of the day-to-day operations of the Group and could arise at any time.

The Group has, from time to time, entered into, and will continue to enter into, transactions with the Shanghai YCT Group as customers of the Group, which has and will continue to provide additional revenue to the Group and enhance its profitability. Similarly, transactions with the Shanghai YCT Group as suppliers of the Group are expected to allow the Group to benefit from having access, where applicable, to competitive quotes from its interested persons and derive savings in terms of cost efficiencies and greater economies of scale in its transactions with such interested persons, in addition to obtaining quotes from, or transacting with, interested persons.

In this regard, as at the Latest Practicable Date and since the current financial year commencing on January 1, 2026, the Group has entered into the following interested person transactions with the Shanghai YCT Group (excluding transactions which are less than S$100,000):

No.	***Name of Mandated Interested Person***	***Nature of the transaction***	***Aggregate value of transaction***	
			(HK$)	***(S$)***
1.	*Shanghai YCT Group*	*Supply of semiconductor electronic component products by the Group pursuant to the 2026 Master Supply Framework Agreement (3)*	*2,999,999.00*	*491,400.33*
2.	*Shanghai YCT Group*	*Purchase of semiconductor electronic component products by the Group pursuant to the 2026 Master Purchase Framework Agreement (3)*	*2,999,999.00*	*491,400.33*
3.	*Shenzhen E-MANTECH Ltd, a subsidiary of the Shanghai YCT Group*	*Leasing of part of the office in Shenzhen by Willas-Array Electronics (Shenzhen) Limited, a subsidiary of the Company, pursuant to a Shenzhen housing lease agreement*	*1,412,623.00*	*231,387.88*
4.	*Texin, a subsidiary of Shanghai YCT*	*Provision of warehousing and logistics services by Willas-Array Electronics (Hong Kong) Limited, a subsidiary of the Company, pursuant to a warehousing and logistics services agreement*	*960,000.00*	*157,248.16*
5.	*Shenzhen E-MANTECH Ltd, a subsidiary of the Shanghai YCT Group*	*Provision of warehousing and logistics services by Willas-Array Electronics (Shanghai) Limited, a subsidiary of the Company, pursuant to a warehousing and logistics services agreement.*	*5,400,000.00*	*884,520.88*
6.	*Shenzhen E-MANTECH Ltd and E-MANTECH (HK) Limited, subsidiaries of*	*Provision and receipt of customer referrals by Willas-Array Electronics (Hong Kong) Limited and Array Electronics (China) Limited, both subsidiaries of the Company, pursuant to a mutual customer referral framework agreement*	*1,900,000.00*	*311,220.31*

No.	***Name of Mandated Interested Person***	***Nature of the transaction***	***Aggregate value of transaction***	
			(HK$)	***(S$)***
	the Shanghai YCT Group			
7.	*Shanghai YCT, Texin and Shanghai Yachuangli Technology Co., Ltd., being subsidiaries of Shanghai YCT*	*Provision and receipt of customer referrals by Willas-Array Electronics (Hong Kong) Limited, Array Electronics (China) Limited, Willas-Array Electronics (Shenzhen) Limited, Willas-Array Electronics (Shanghai) Limited and Willas-Array Electronics (Taiwan) Inc., all of which are subsidiaries of the Company, pursuant to a mutual customer referral framework agreement*	*1,000,000.00*	*163,800.16*
8.	*Texin, a subsidiary of Shanghai YCT*	*Leasing of warehouse space in Hong Kong by Willas-Array Electronics Management Limited, a subsidiary of the Company, pursuant to a warehouse lease agreement*	*910,823.00*	*149,192.96*
9.	*Shanghai YCT and Texin, a subsidiary of Shanghai YCT*	*Interest payable on the maximum principal amount of a revolving loan facility extended to Willas-Array Electronics (Shenzhen) Limited, Willas-Array Electronics (Shanghai) Limited, Willas-Array Electronics (Hong Kong) Limited and Shenzhen Yalixin Electronics Co., Ltd., all of which are subsidiaries of the Company, pursuant to a loan agreement*	*6,000,000.00*	*982,800.98*
	Total value of all transactions with all Mandated Interested Persons		***23,583,444.00***	***3,862,971.99***

Notes:

(1) The Singapore dollar equivalents are based on the exchange rate prevailing as at the Latest Practicable Date, for the purposes of determining the applicable thresholds under Rule 905 of the Listing Manual of the SGX-ST.

(2) As a percentage of the Group's latest audited NTA of approximately HK$507,424,000 based on the latest audited consolidated financial statements of the Group as at December 31, 2025. Any discrepancy between the sum of the figures stated and the total thereof is due to rounding.

(3) For the avoidance of doubt, the supply and purchase transactions set out above were entered into pursuant to the 2026 Master Supply Framework Agreement and the 2026 Master Purchase Framework Agreement, respectively, and have not been amended by the Supplemental Supply Deed and the Supplemental Purchase Deed. The amendments contemplated under the Supplemental Supply Deed and the Supplemental Purchase Deed are conditional upon the adoption of the Proposed IPT General Mandate.

Save as disclosed above, as at the Latest Practicable Date and since the current financial year commencing on January 1, 2026, there were no other interested person transactions (excluding transactions which are less than S$100,000) entered into between the Group and all its interested persons.

In view of the time-sensitive nature of commercial transactions and the need for the smooth and efficient conduct of business which is envisaged to include entering into the Mandated Transactions which are recurring in nature or in the ordinary course of business with the Mandated Interested Persons, the Directors are seeking the approval of Independent Shareholders (which excludes Shareholders who are required to abstain from voting pursuant to Rule 920(1)(b)(viii) of the SGX-ST Listing Manual) for the adoption of the Proposed IPT General Mandate in respect of future transactions that the Group may enter into with the Mandated Interested Persons provided the Mandated Transactions are entered into

on an arm's length basis and on normal commercial terms and are not prejudicial to the Company and its minority Shareholders.

The adoption of the Proposed IPT General Mandate and any subsequent renewal on an annual basis will eliminate the need for the Company to announce and convene separate general meetings on each occasion, where necessary, to seek Independent Shareholders' approval for each separate Mandated Transaction to be entered between the Group and the Mandated Interested Person of a revenue or trading nature or those necessary for its day-to-day operations, thereby substantially reducing the time and expenses associated with the convening of such general meetings (including the engagement of external advisers and preparation of documents) on an ad hoc basis, improving administrative efficacy considerably, allowing manpower resources and time to be channelled towards attaining other corporate objectives."

3.2 Categories of the Mandated Transactions

The Proposed IPT General Mandate will apply to the following categories of recurring Continuing Connected Transactions contemplated under the Framework Agreements (as proposed to be amended by the Supplemental Deeds). These transactions include:

(a) the sale by the Group of semi-conductor electronic component products pursuant to the 2026 Master Supply Framework Agreement (as proposed to be amended by the Supplemental Supply Deed); and

(b) the purchase by the Group of semi-conductor electronic component products pursuant to the 2026 Master Purchase Framework Agreement (as proposed to be amended by the Supplemental Purchase Deed),

(collectively the "**Mandated Transactions**").

The Proposed IPT General Mandate will not cover any interested person transaction which has a value below S$100,000 as, pursuant to Rules 905(3) and 906(2) of the SGX-ST Listing Manual, the threshold and aggregation requirements of Chapter 9 of the Listing Rules do not apply to such transactions. However, as stated above, the SGX-ST may aggregate any such transactions below S$100,000 that are entered into during the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the SGX-ST Listing Manual.

Transactions with interested persons (including the Mandated Interested Persons) that do not fall within the ambit of the Proposed IPT General Mandate will be subject to the relevant provisions of Chapter 9 of the SGX-ST Listing Manual and/or other applicable provisions of the SGX-ST Listing Manual as well as the Hong Kong Listing Rules.

3.3 Mandated Interested Persons

The interested persons to be covered under the Proposed IPT General Mandate are Shanghai YCT and its subsidiaries but excluding the Group (collectively, the "**Mandated Interested Persons**"). Information on the Mandated Interested Persons are set out in **Section 11.4** of the Circular, extract of which has been reproduced below:

"*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."*

"From time to time, in the ordinary course of business, new subsidiaries of Shanghai YCT may be incorporated (for the avoidance of doubt, such subsidiaries exclude entities which are subsidiaries of the Group, whether existing as at the Latest Practicable Date or to be incorporated in the future). Accordingly, it is contemplated that when approval from Shareholders is sought for the renewal of the Proposed IPT General Mandate at subsequent AGMs, such newly incorporated subsidiaries of

Shanghai YCT may be added to the list of Mandated Interested Persons in respect of which the Proposed IPT General Mandate is sought to be renewed."

3.4 Guidelines and review procedures for determining the pricing of the Mandated Transactions

We noted and have considered the pricing policies established by the Group contained in the Framework Agreements which are set out in **Sections 3.1** of the Circular and the additional internal controls which are set out in **Section 7** of the Circular, which will be adopted in determining the pricing of the Mandated Transactions contemplated under the Framework Agreements.

We further noted and have considered the guidelines and review procedures for the Mandated Transactions which are set out in the Proposed IPT General Mandate to ensure that the Mandated Transactions with Mandated Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practices and policies, which are generally no more favourable to the Mandated Interested Persons than those extended to unrelated third parties, and will not be prejudicial to the interests of the Company and its Independent Shareholders. The full text can be found in **Sections 11.6.1 and 11.6.2** of the Circular and has been reproduced below.

"*Sale of products to a Mandated Interested Person*

The review procedures are:

(a) all sale of products to Mandated Interested Persons will be carried out at the prevailing market prices offered by the Group for the same or substantially similar types of products and on terms no more favourable than the usual commercial terms extended to at least two independent third-party customers for similar or substantially similar types of products. In assessing the above, comparison will be made to the terms of two other contemporaneous or recent transactions of a similar or substantially similar nature with independent third-party customers of the Group, with the understanding that the product may be subject to price fluctuations, depending on market conditions;

(b) where the prevailing market rates or prices are not available due to the nature of the product to be sold, the Group's pricing and terms offered for such products to be sold to Mandated Interested Persons shall be determined in accordance with the Group's usual business practices and pricing policies, including taking into account (i) the direct costs of the relevant semi-conductor electronic component products and (ii) an appropriate mark-up, determined with reference to the mark-up charged to independent third-party customers for the same or similar products (or, where such comparable independent sales are not available, for products of comparable quality, specifications and quantities or published market selling prices or quotations for such comparable products obtained from independent electronic component distributors, online platforms or suppliers). In determining the pricing and terms offered to Mandated Interested Persons for such products, the Approving Executives or the Audit Committee (as the case may be, depending on the financial limit set out in Section 11.6.3 of the Circular) shall consider whether the transaction is beneficial to the interests of the Group and take into consideration factors such as credit terms; and

(c) in addition, the Group will, on a regular basis (not less frequently than quarterly), compare the selling prices of similar semi-conductor electronic component products sold to Mandated Interested Persons against those sold to independent third-party customers (based on at least two comparable transactions, or, where such transactions are not available, similar products) to ensure that the terms remain in line with prevailing market rates and conditions.

Purchase of products from a Mandated Interested Person

The review procedures are:

(a) all purchase of products from Mandated Interested Persons will be carried out at the prevailing market prices offered to the Group for the same or substantially similar type of products and on

terms no less favourable than the usual commercial terms extended by at least two independent third-party vendors for similar or substantially similar types of products. The Group will obtain at least two other quotations from independent third-party suppliers for similar or substantially similar types of products to determine whether the price and terms offered by the Mandated Interested Persons are comparable to the prevailing market rate and on terms no less favourable than the usual commercial terms extended by independent third-party vendors to the Group, and in making such assessment, the Group shall also take into account (i) historical purchase prices of similar products from independent third parties and (ii) the credit terms on which the products are purchased;

(b) in the event that quotations from independent third party vendors cannot be obtained (for instance, if there are no independent third party vendors of similar products, or if the product is only available from the Mandated Interested Persons), the Approving Executives or the Audit Committee (as the case may be depending on the financial limit set out in Section 11.6.3 of the Circular) will determine whether the price and terms offered by the Mandated Interested Persons are fair and reasonable after taking into consideration factors such as, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, as well as prevailing market conditions (to the extent ascertainable); and

(c) in addition, the Group will, on a regular basis (and not less frequently than quarterly), obtain quotations from independent third-party suppliers for products of similar type, quantity and specifications for benchmarking purposes, to ensure that the terms of purchase remain in line with prevailing market rates and conditions."

3.5 Approval threshold limits for the Mandated Transactions

We noted and have considered the following approval threshold limits for the Mandated Transactions that the Company proposes to implement under the Proposed IPT General Mandate. The full text can be found in **Section 11.6.3** of the Circular and has been reproduced below:

"*In addition to the above review procedures, depending on whether the value of the contract to be entered into in relation to the Mandated Transactions is equal to or exceeds S$100,000 but in any case below 5% of the Group's latest announced audited consolidated NTA at the time of entry into the relevant Mandated Transaction ("**Financial Limit**"), the following approval thresholds shall be adopted:*

(a) Each contract with a value falling within the Financial Limit will be reviewed and approved by the Approving Executive(s) (who must have no interest, direct or indirect in the Mandated Transaction) and reported to the Company Secretary on a monthly basis and to the Audit Committee on a quarterly basis.

(b) Each contract with a value exceeding the Financial Limit in value will be reviewed and approved by the Audit Committee prior to the Company's entry into such Mandated Transaction.

(c) Any of the Approving Executives and members of the Audit Committee, may, as he/she deems fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including requesting for an independent financial adviser's opinion and/or obtaining valuations from independent professional valuers."

3.6 Additional guidelines and review procedures

We noted and have considered the following additional guidelines and review procedures that the Company proposes to implement under the Proposed IPT General Mandate. The full text can be found in **Section 11.6.4** of the Circular and has been reproduced below:

"In addition to the guidelines and review procedures set out in Section 11.6.1 and 11.6.2 of the Circular, the Company will also implement the following additional guidelines and procedures to ensure that the Mandated Transactions are undertaken on an arm's length basis and on normal commercial terms:

(a) Register of Mandated Transactions

*The Company will maintain a register of Mandated Transactions carried out with Mandated Interested Persons (including transactions below S$100,000 and the Mandated Transactions) (recording the orders entered into in relation to the Mandated Transactions and basis for pricing and other commercial terms thereunder, including quotations, enquiries and/or reports obtained to support such basis on which the Mandated Transactions are entered into) (the "**IPT Register**").*

(b) Periodic reviews

The internal auditors shall annually, or at the request of the Audit Committee, carry out audit reviews on the adequacy and compliance of the internal control system and reporting procedures for Mandated Transactions and will report to the Audit Committee on their findings.

The internal auditors shall annually, or at the request of the Audit Committee, carry out audit reviews to ascertain that the established guidelines and procedures for Mandated Transactions are appropriate and have been adequately complied with.

The external auditors of the Company will conduct an annual review on the terms and annual cap of the Mandated Transactions.

The Audit Committee will review the IPT Register on a quarterly basis to ascertain that the guidelines and review procedures for Mandated Transactions have been complied with. The Audit Committee shall also review the appropriateness and sufficiency of the guidelines and review procedures for Mandated Transactions at least annually.

If during any of the reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and review procedures for Mandated Transactions have become inappropriate or insufficient for whatever reason, such as in the event of changes to the nature of, or manner in which, the business activities of the Company or the Mandated Interested Persons are conducted, the Company will seek a fresh mandate from the Independent Shareholders based on new guidelines and review procedures with a view to ensuring that the Mandated Transactions will be carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders. In such a situation, prior to obtaining the new Shareholders' mandate, all transactions with the Mandated Interested Persons will be reviewed and approved by the Audit Committee.

(c) Abstention from decision-making and voting at a Board meeting

If any of the Directors has an interest in the transaction under consideration for approval or is a nominee for the time being of any of the Mandated Interested Persons, or if any associate of such Director is involved in the decision-making process on the part of the Mandated Interested Persons, the review and approval process shall be undertaken by the remaining Directors who do not have an interest in the transaction under consideration for approval or are not nominees for the time being of the relevant Mandated Interested Person(s), and who are not subject to such conflicts of interest, save that if all of the Directors have an interest in the transaction under consideration for approval, or are nominees for the time being of either or both of the Mandated Interested Persons or are subject to such conflicts of interest, the review and approval process shall be undertaken by the Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose. Each senior executive so designated must be unrelated to the Mandated Interested Persons and have no interest, direct or indirect, in the Mandated Transactions.

If a member of the Audit Committee has an interest in a transaction under consideration for approval or is a nominee for the time being of either or both of the Mandated Interested Persons, or if any associate of a member of the Audit Committee is involved in the decision-making process on the part of the Mandated Interested Persons, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction under consideration."

3.7 Validity period of the Proposed IPT General Mandate

The Proposed IPT General Mandate is subject to the Independent Shareholders' approval at the SGM. If approved by the Independent Shareholders at the SGM, the Proposed IPT General Mandate will take effect from the passing of the ordinary resolution relating to the adoption of the Proposed IPT General Mandate as set out in the Notice, and will continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier (unless sooner revoked or varied by the Company in general meeting).

Approval from the Independent Shareholders will be sought for the renewal of the Proposed IPT General Mandate at each subsequent AGM (or special general meeting held on the same day as the AGM), subject to satisfactory review by the Audit Committee of its continued relevance and application and the sufficiency of the guidelines and review procedures under the Proposed IPT General Mandate to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3.8 Abstention from voting

Pursuant to Rule 919 of the SGX-ST Listing Manual, an interested person and any associate of the interested person shall abstain from voting on the resolutions approving the interested person transactions involving themselves and their associates. Such interested person and his associates shall not accept appointments as proxies in relation to such resolutions.

Accordingly, Shanghai YCT, Texin, Mr. Xie Lishu and Ms. Huang Shaoli will abstain, and will undertake to ensure that its associates will abstain, from voting on the resolutions to approve the adoption of the Proposed IPT General Mandate. In addition, Shanghai YCT, Texin, Mr. Xie Lishu and Ms. Huang Shaoli and their associates will also decline to accept appointments as proxies for any Shareholder unless specific instructions as to voting are given.

4 RECOMMENDATION AND CONCLUSION

In arriving at our opinion in relation to the Proposed IPT General Mandate, we have considered, inter alia, the information available to us, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date and based on the factors set out in section 3 above, in particular the rationale for and benefits of the Proposed IPT General Mandate to the Group, the guidelines and review procedures for determining the pricing of the Mandated Transactions set up by the Company, the approval threshold limits, the additional guidelines and review procedures to be implemented, and the role of the Audit Committee in enforcing the guidelines and review procedures for the Proposed IPT General Mandate, which we deem to have significant relevance to our assessment of the Proposed IPT General Mandate.

We are of the view that, on balance, the methods and review procedures for determining transaction prices of the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders.

Accordingly, we are of the view that the Audit Committee (whose members comprise the Independent Board) should recommend that Shareholders vote in favour of the adoption of the Proposed IPT General Mandate to be proposed at the SGM.

In performing our evaluation and arriving at these conclusions, we wish to emphasise that the opinion set forth herein is based solely on publicly available information and information provided by the Directors and Management of the Company and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed IPT General Mandate and are based on the economic and market conditions prevailing as of the date of this IFA Letter. Our advice is strictly confined to our views on the Proposed IPT General Mandate.

This IFA Letter (for inclusion in the Circular) and our opinion therein has been prepared as required under SGX-ST Listing Rules 920(1)(b)(v) as well as for the use of the Independent Board and the Audit Committee in their consideration of the Proposed IPT General Mandate and their respective recommendation to the Shareholders arising thereof. The recommendations made by the Audit

Committee to the Shareholders in relation to the Proposed IPT General Mandate shall remain their sole responsibility.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not imply by implication to any other matter.

Yours faithfully
For and on behalf of
STIRLING COLEMAN CAPITAL LIMITED



YAP YEONG KEEN
MANAGING DIRECTOR