THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, stockbroker, a bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

If you have sold or transferred all your shares in **SMC Electric Limited**, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer, registered institution in securities, bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

TINNO 天珑

MEGA NOVA HOLDINGS LIMITED
星兆控股有限公司
(Incorporated in Hong Kong with limited liability)

SMC ELECTRIC LIMITED
蜆壳電業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2381)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF MEGA NOVA HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SMC ELECTRIC LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND OFFEROR CONCERT PARTIES)

Exclusive Financial Adviser to the Offeror

CITIC SECURITIES

CITIC SECURITIES (HONG KONG) LIMITED

Financial Adviser to the Company

SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee

红日资本有限公司
RED SUN CAPITAL LIMITED

Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) shall have the same meanings as those defined in the section headed "Definitions" of this Composite Document.

A letter from CLSA containing, among other things, the details of the terms of the Offer is set out on pages 11 to 24 of this Composite Document. A letter from the Board is set out on pages 25 to 36 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 37 to 38 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 39 to 68 of this Composite Document.

The procedures for acceptance and settlement as well as other related information of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar, namely, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on Tuesday, 6 October 2026 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in the "Letter from CLSA" and the section headed "8. Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of any Overseas Shareholders wishing to take any action in relation to the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including obtaining all governmental, exchange control or other consents which may be required and compliance with all necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders in respect of the acceptance of the Offer (as applicable) in such jurisdiction. The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer (as applicable).

This Composite Document is issued jointly by the Offeror and the Company. This Composite Document will remain on the website of the Stock Exchange at www.hkexnews.hk and website of the Company at www.smcelectric.com.hk as long as the Offer remains open.

In the event of any inconsistency, the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text.

15 September 2026

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The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document and the Form of Acceptance refer to Hong Kong time and dates.

Record Date for the Special Dividend *(Note 1)* . . . . Monday, 31 August 2026

Payment date of the Special Dividend . . . . Monday, 14 September 2026

Despatch date of this Composite Document and
the Form of Acceptance and commencement date
of the Offer *(Note 2)* . . . . Tuesday, 15 September 2026

Latest time and date for acceptance of
the Offer *(Notes 3, 4 and 6)* . . . . 4:00 p.m. on
Tuesday, 6 October 2026

Closing Date *(Notes 3, 4 and 6)* . . . . Tuesday, 6 October 2026

Announcement of the results of the Offer
(or its extension or revision, if any) as at
the Closing Date to be posted on the website
of the Stock Exchange *(Notes 3 and 6)* . . . . no later than 7:00 p.m. on
Tuesday, 6 October 2026

Latest date for posting of remittance for the amounts
due under the Offer in respect of valid acceptances
received under the Offer *(Notes 5 and 6)* . . . . Thursday,
15 October 2026

Notes:

1. The record date for determining entitlement to the Special Dividend was on Monday, 31 August 2026 (the "**Record Date**"). The Special Dividend was paid on Monday, 14 September 2026 to Shareholders whose name appear on the register of members of the Company at the close of business on the Record Date. For the avoidance of doubt, any Shareholder whose name appears on the Company's principal or branch share register on the Record Date was entitled to the Special Dividend.

2. The Offer, which is unconditional, is made on the date of posting of this Composite Document and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed "6. Right of Withdrawal" in Appendix I to this Composite Document.

3. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Tuesday, 6 October 2026 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

4. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of HKSCC and HKSCC Operational Procedures.

5. Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to the accepting Independent Shareholder(s) by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, in accordance with the Takeovers Code.

6. If any severe weather condition is in force in Hong Kong:

   (a) at any local time before 12:00 noon but no longer in force at or after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for despatch of remittances will remain on the same Business Day; or

   (b) at any local time at or after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the next Business Day and the latest date for despatch of remittances will be rescheduled to the next Business Day which does not have any of those warnings in force at 12:00 noon and/or thereafter (or another Business Day thereafter that does not have any severe weather condition at 12:00 noon or thereafter).

   For the purpose of this Composite Document, "severe weather" refers to the scenario where Typhoon Signal No. 8 or above, a Black Rainstorm Warning (as issued by the Hong Kong Observatory), or the "Extreme Conditions" warning (as announced by the Hong Kong Government) is in force in Hong Kong.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected, the Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

Unless the context requires otherwise, the following expressions shall have the meanings set out below in this Composite Document:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CITICS HK"	CITIC Securities (Hong Kong) Limited, a licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, an indirect wholly owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030), being the exclusive financial adviser to the Offeror in respect of the Offer
"Closing Date"	6 October 2026, being the date stated in this Composite Document as the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be announced by the Offeror with the consent of the Executive and in compliance with the Takeovers Code

"CLSA"	CLSA Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, an indirect wholly owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030), being the agent making the Offer on behalf of the Offeror
"Company"	SMC Electric Limited (蜆壳電業有限公司) (Stock Code: 2381), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of all the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Announcement"	the announcement jointly issued by the Offeror and the Company on 8 September 2026 in relation to, among other things, the Completion
"Completion Date"	8 September 2026, being the date of Completion
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code, containing, among other things, details of the Offer, the Form of Acceptance, the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
"Condition(s)"	the condition(s) precedent to the Completion under the Sale and Purchase Agreement
"Consideration"	HK$154,000,000, being the aggregate consideration paid by the Offeror to the Seller for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement

"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Existing CT and CCT Agreements"	has the meaning ascribed to it under the section headed "INTRODUCTION" in the "Letter from CLSA" in this Composite Document
"Form of Acceptance"	the form of acceptance and transfer of the Offer Shares in respect of the Offer
"Group"	the Company and its subsidiaries, and "Group Company", "Group Companies" and "member of the Group" shall be construed accordingly. For the avoidance of doubt, the Company is a Group Company and a member of the Group
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Li Pik Mui Cindy, a non-executive Director, and Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer, each an independent non-executive Director, established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the Offer is fair and reasonable and as to acceptance of the Offer

"Independent Financial Adviser"	Red Sun Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and as to the acceptance of the Offer
"Independent Shareholders"	the Shareholders other than the Offeror and Offeror Concert Parties
"Joint Announcement"	the joint announcement dated 31 July 2026 jointly issued by the Company and the Offeror in relation to, among other things, the Sale and Purchase Agreement and the Offer
"Last Trading Day"	31 July 2026, being the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of the Joint Announcement
"Latest Practicable Date"	11 September 2026, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lock-up Undertaking"	has the meaning ascribed to it under the section headed "INTRODUCTION" in the "Letter from CLSA" in this Composite Document

"Material Adverse Change"	(a)	in respect of the Conditions or the warranties given by the Seller under the Sale and Purchase Agreement, any matter that has or will have or would reasonably be expected to have, either individually or in the aggregate with all other matters, a material adverse effect (to the extent defined in the Sale and Purchase Agreement) on (i) the business, assets, liabilities, properties, condition (financial or otherwise), results of operations, operations or prospects of the Company (or any other Group Company) up to the time of Completion (and if applicable after the Completion, SMC Holdings Group or any SMC Holdings Group Company); or
	(b)	in respect of the Transition Period, any matter that has or will have or would reasonably be expected to have, either individually or in the aggregate with all other matters, a material adverse effect (to the extent defined in the Sale and Purchase Agreement) on the business, assets, liabilities, properties, condition (financial or otherwise), results of operations, operations or prospects of any member of the group of companies comprising SMC Holdings Group including any such change, event, circumstance or other matter that alone or together causes, or would reasonably be expected to cause:

	(i) the SMC Holdings Group's consolidated earnings before interest, taxes, and non-cash items such as depreciation, depletion and amortisation (EBITDA) for any of the financial years ending 31 December 2026, 2027 and 2028 as shown in the relevant accounts prepared in accordance with the relevant accounting standards being a negative figure; or
	(ii) the SMC Holdings Group's consolidated gross revenue being below (A) HK$110 million for the financial year ending 31 December 2026, or (B) HK$60 million for the financial year ending 31 December 2027, in each case as shown in the relevant accounts prepared in accordance with the relevant accounting standards
"MMSD"	佛山市順德區蜆華多媒體製品有限公司 (Shunde SMC Multi-Media Products Company Limited*), an indirect wholly owned subsidiary of the Seller
"Mr. Yung"	Mr. Yung Kwok Kee Billy, the chairman of the Board, a non-executive Director and an ultimate beneficial owner of the Seller
"Offer"	the mandatory unconditional cash offer made by CLSA on behalf of the Offeror to acquire all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and Offeror Concert Parties)
"Offer Period"	the period commencing on 31 July 2026, being the date of the Joint Announcement, and ending on the date when the Offer closes or lapses in accordance with the Takeovers Code
"Offer Price"	the price at which the Offer is made, being HK$0.11 per Offer Share

"Offer Share(s)"	all of the Share(s) in issue, other than those already owned and/or agreed to be acquired by the Offeror and/or the Offeror Concert Parties
"Offeror"	Mega Nova Holdings Limited 星兆控股有限公司, a company incorporated in Hong Kong with limited liability, which as at the Latest Practicable Date, is indirectly wholly owned by Tinno Mobile which is in turn owned as to 97.0149% by Tinno Technology, for further details, please refer to the section headed "INFORMATION ON THE OFFEROR" in the "Letter from CLSA" in this Composite Document
"Offeror Concert Parties"	any parties acting, or presumed to be acting, in concert with the Offeror, Tinno Mobile and/or Tinno Technology under the definition of "acting in concert" under the Takeovers Code (including the Seller for the period of the Lock-up Undertaking)
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"Record Date"	the date for determining the entitlements of the Shareholders to the Special Dividend, being 31 August 2026, which was a date prior to Completion
"Registrar"	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Offer
"Relevant Period"	the period from 31 January 2026, being the date falling six months preceding the date of the Joint Announcement (i.e. commencement date of the Offer Period), up to and including the Latest Practicable Date

"Renewal Agreements"	the agreements to be entered into between the Company or the relevant SMC Holdings Group Company and the relevant member of the Seller Group for the purpose of renewing the Existing CT and CCT Agreements for a term of three financial years commencing on 1 January 2027 and ending on 31 December 2029
"Retained Shares"	the 100,000,000 Shares held by the Seller, representing 5% of the entire issued share capital of the Company as at the Latest Practicable Date
"Sale and Purchase Agreement"	the sale and purchase agreement dated 31 July 2026 entered into between the Seller and the Offeror for the sale and purchase of the Sale Shares
"Sale Shares"	1,400,000,000 Shares (representing 70% of the total issued Shares as at the Latest Practicable Date) sold by the Seller to the Offeror pursuant to the Sale and Purchase Agreement, and each a "Sale Share"
"Seller"	Shell Electric Holdings Limited (蜆壳電器控股有限公司), a company incorporated under the laws of Bermuda, which as at the Latest Practicable Date, was directly held as to 80.55% by Red Dynasty Investments Limited, which in turn was directly wholly owned by Mr. Yung, for further details, please refer to the section headed "INFORMATION ON THE GROUP – Shareholding Structure of the Company" in Letter from the Board in this Composite Document
"Seller Group"	the group of companies comprising the Seller, any holding company or ultimate beneficial owner from time to time of the Seller and "any subsidiary of the Seller" or of any such holding company including Mr. Yung but excluding each Group Company
"SFC"	The Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares from time to time
"SMC Electric China"	廣東蜆壳家電有限公司 (SMC Electric (China) Limited*), an indirect wholly owned subsidiary of the Company
"SMC Holdings Group"	the group of companies comprising SMC Electric Holdings Limited (a direct wholly owned subsidiary of the Company) and its subsidiaries and "member of the SMC Holdings Group" and "SMC Holdings Group Company" shall be construed accordingly
"Somerley"	Somerley Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Company in respect of the Offer
"Special Dividend"	the special dividend of HK$0.04575 per Share declared by the Company on 13 August 2026, the Record Date of which was 31 August 2026 and the payment date of which was 14 September 2026
"Special Dividend Announcement"	the announcement of the Company dated 13 August 2026 in relation to, among other things, the declaration and payment of the Special Dividend
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Tinno Mobile"	深圳市天瓏移動技術有限公司 (Shenzhen Tinno Mobile Technology Co., Ltd.*), which indirectly wholly owns the Offeror and is in turn owned as to 97.0149% by Tinno Technology as at the Latest Practicable Date
"Tinno Technology"	天瓏科技集團股份有限公司 (Tinno Technology Group Co., Ltd.*) (stock code: 400059.NQ), which owns 97.0149% of Tinno Mobile as at the Latest Practicable Date
"Transition Period"	the period commencing on the Completion Date and ending on the third anniversary of the Completion Date, as further described under the section headed "INTRODUCTION" in the "Letter from CLSA" in this Composite Document
"%"	per cent.

* *For identification purpose only*

CITIC SECURITIES

18/F, One Pacific Place
88 Queensway
Hong Kong

15 September 2026

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY CLSA LIMITED
FOR AND ON BEHALF OF MEGA NOVA HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SMC ELECTRIC LIMITED
(OTHER THAN THOSE SHARES
ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND OFFEROR CONCERT PARTIES)**

INTRODUCTION

References are made to (i) the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer; (ii) the Special Dividend Announcement in relation to, among other things, the declaration and payment of the Special Dividend; and (iii) the Completion Announcement in relation to, among other things, the Completion. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

On 31 July 2026, the Offeror and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Seller conditionally agreed to sell, the Sale Shares, being 1,400,000,000 Shares (representing 70% of the total issued Shares), for a total Consideration of HK$ 154,000,000, equivalent to HK$0.11 per Sale Share. As disclosed in the Special Dividend Announcement, the Record Date of the Special Dividend was 31 August 2026. Completion took place on 8 September 2026 after the Record Date for the Special Dividend. Payment of the Special Dividend was made on 14 September 2026.

Immediately following the Completion, the Offeror and Offeror Concert Parties (other than the Seller) own 1,400,000,000 Shares (representing 70% of the total issued Shares), and the Seller owns 100,000,000 Retained Shares (representing 5% of the total issued Shares). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and Offeror Concert Parties).

Pursuant to the Sale and Purchase Agreement, the Seller has agreed that, without the prior written consent of the Offeror, the Seller shall not tender the Retained Shares for acceptance under the Offer, and, whether directly or indirectly, at any time during the period of eighteen (18) months commencing on and including the Completion Date: (i) dispose of, transfer, sell, assign, pledge, charge, create any encumbrance over, or otherwise deal with, in any way, any of the 100,000,000 Retained Shares or any interest therein (including any security convertible into or exchangeable or exercisable for, or that represents a right to receive, any Retained Shares); (ii) enter into any transaction directly or indirectly with the same economic effect as any of the transactions referred to in paragraph (i); or (iii) agree or contract to, or publicly announce any intention to, enter into any transaction described in paragraphs (i) or (ii) (the "**Lock-up Undertaking**").

Pursuant to the Sale and Purchase Agreement, the Seller has undertaken that, for a period of three (3) years from the Completion Date (the "**Transition Period**"), it shall, and shall procure that each other member of the Seller Group shall, take all reasonable measures and endeavours to maintain the ordinary course operations of the Group consistent with past practice in all material respects and to ensure a smooth transition of the business of the Group, including not to do, allow or procure any act or omission that would reasonably be expected to cause a Material Adverse Change or a breach of any applicable Laws.

Under the Sale and Purchase Agreement, the Seller has agreed to indemnify the Offeror in respect of any indemnifiable losses, being all losses incurred, suffered or sustained by the Offeror or the relevant Group Company (as the case may be), relating to, resulting from or arising out of (i) any breach of the Seller's representations, warranties, covenants and undertakings under the Sale and Purchase Agreement, (ii) any failure of the Seller to perform its obligations under the Sale and Purchase Agreement, and (iii) certain historical matters relating to the operation of the Group, unless the aggregate amount of such indemnifiable losses, (a) in respect of the Company, exceed the amount of HK$10,000, and (b) in respect of all subsidiaries of the Company combined, exceed the amount of HK$100,000,000, save in respect of any claim arising from fraud, wilful misconduct and gross negligence which cannot lawfully be excluded or limited. The Seller's maximum aggregate liability arising out of or in connection with the Sale and Purchase Agreement shall not exceed the Consideration paid by the Offeror under the Sale and Purchase Agreement except that this limitation shall not apply to liability arising from fraud, wilful misconduct, gross negligence and other specific payment obligation of the Seller under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Group and the Seller Group have the following subsisting agreements for connected transactions and continuing connected transactions of the Group:

Partially exempt connected transactions

(a) the factory premises rental agreement dated 16 December 2024 between 佛山市順德區蜆華多媒體製品有限公司 (Shunde SMC Multi-Media Products Company Limited*) (i.e. MMSD), a wholly owned subsidiary of the Seller (as landlord) and 廣東蜆壳家電有限公司 (SMC Electric (China) Limited*), a wholly owned subsidiary of the Company (i.e. SMC Electric China) (as tenant) in respect of the premises at 3rd Floor, Block A, No. 18 San Le Dong Road, Bei Jiao Industrial Park, Shunde District, Foshan City, the PRC;

(b) the tenancy agreement dated 16 December 2024 between Shell Electric Holdings Limited (i.e. the Seller) (as landlord) and SMC Electric (HK) Limited, a wholly owned subsidiary of the Company (as tenant) in respect of the portions of the 1st Floor, 4th Floor and 6th Floor and two car parking spaces located at Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong;

* *For identification purpose only*

Fully exempt continuing connected transactions

(c) the dormitory rental agreement dated 16 December 2024 between MMSD (as landlord) and SMC Electric China (as tenant) in respect of employee dormitory spaces situated in the living quarters at No. 18 San Le Dong Road, Bei Jiao Industrial Park, Shunde District, Foshan City, the PRC;

(d) the catering services agreement dated 16 December 2024 between MMSD (as service provider) and SMC Electric China (as recipient) in respect of the provision of catering services to the staff of the SMC Electric China;

(e) the framework supply agreement dated 16 December 2024 between PFC Device Holdings Limited, a wholly owned subsidiary of the Seller (as supplier) and SMC Electric Limited (i.e. the Company) (as purchaser) in respect of the supply of semiconductors by the PFC Device Holdings Limited group to the Group;

(f) the framework supply agreement dated 10 September 2025 between SMC Multi-Media (H.K.) Limited, a wholly owned subsidiary of the Seller (as supplier) and SMC Electric Limited (i.e. the Company) (as purchaser) in respect of the supply of LED parts by the SMC Multi-Media (H.K.) Limited group to the Group;

(g) the trademarks licence agreement dated 16 December 2024 between Sunny Resource Limited, a wholly owned subsidiary of the Seller (as licensor) and SMC Electric Holdings Limited, a wholly owned subsidiary of the Company (as licensee) in respect of the grant of a licence to the Group to use certain trademarks owned by Sunny Resource Limited; and

(h) the patents licence agreement dated 16 December 2024 between Sunny Resource Limited (as licensor) and SMC Electric Holdings Limited (as licensee) in respect of the grant of a licence to the Group to use certain patents owned by Sunny Resource Limited.

As the Offeror intends to continue the existing arrangements under the Existing CT and CCT Agreements between the Group and the Seller Group for at least the Transition Period, under the Sale and Purchase Agreement, the Seller has agreed to procure the relevant member of the Seller Group to enter into the Renewal Agreements on or before the date of expiry of the Existing CT and CCT Agreements to renew each of the above Existing CT and CCT Agreements for a term of three years commencing on 1 January 2027. Further announcements will be made by the Company in respect of such transactions in accordance with the Listing Rules as and when appropriate.

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on the Offeror, and the Offeror's intention in relation to the Group. Further details on the terms and procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders and potential investors are strongly advised to carefully consider the information contained in this Composite Document, including the "Letter from the Board", the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser, and to exercise caution when dealing in the securities of the Company. If in doubt, they should consult their own professional advisers before reaching a decision as to whether or not to take any action in respect of the Offer.

THE OFFER

CLSA, for and on behalf of the Offeror, hereby makes the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . **HK$0.11 in cash**

Pursuant to the Takeovers Code, the Offer Price must not be lower than the purchase price per Sale Share payable by the Offeror to the Seller under the Sale and Purchase Agreement. The Offeror has therefore decided to set the Offer Price at HK$0.11.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares. The Offer will be extended to all Independent Shareholders other than the Offeror and Offeror Concert Parties in accordance with the Takeovers Code.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and interests attaching thereto, including all rights to receive any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

As disclosed in the Joint Announcement, the Seller had informed the Offeror that the Company intended to declare a Special Dividend in an amount of approximately HK$91,500,000 (equivalent to a Special Dividend of HK$0.04575 per Share) before the Completion. Accordingly, payment of the Special Dividend was made on 14 September 2026 to Shareholders whose names appeared on the register of members of the Company on 31 August 2026 (i.e. the Record Date). The Company confirms that, as at the Latest Practicable Date, except for the Special Dividend which was paid before the date of this Composite Document, the Company did not have any dividend or distribution recommended, declared or made but unpaid and has no intention to make any distribution or declare dividends before the close of the Offer. No change has been or will be made to the Offer Price after the declaration and/or payment of the Special Dividend.

The Offer Price

The Offer Price of HK$0.11 per Share represents:

(a) a discount of approximately 69.44% to the closing price of HK$0.360 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 65.63% to the closing price of HK$0.320 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 66.36% to the average closing price of approximately HK$0.327 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 65.08% to the average closing price of approximately HK$0.315 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 61.27% to the average closing price of approximately HK$0.284 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;

(f) a premium of approximately 74.60% over the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.063 per Share as at 31 December 2025 calculated based on the information set out in the Company's annual report for the year ended 31 December 2025; and

(g) a premium of approximately 78.87% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.0615 per Share as at 30 June 2026 calculated based on the information set out in the Company's interim report for the six months ended 30 June 2026.

Highest and Lowest Closing Prices of Shares

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.395 per Share on 9 September 2026 and HK$0.127 per Share on 23 March 2026, respectively.

Value of the Offer

As at the Latest Practicable Date, there are 2,000,000,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK$0.11 per Offer Share and 600,000,000 Shares that will be subject to the Offer, the Offer would be valued at HK$66,000,000.

Confirmation of Financial Resources

The Offeror has financed the total Consideration payable under the Sale and Purchase Agreement and intends to finance the Offer by way of its internal financial resources and/or external debt financing which may be entered into and/or drawn down subsequent to the date of despatch of this Composite Document.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) under the facility will depend to any significant extent on the business of the Company.

The total Consideration payable under the Sale and Purchase Agreement by the Offeror was HK$154,000,000.

On the basis that: (i) the Sale Shares have been held by the Offeror since Completion; (ii) there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer; and (iii) the Retained Shares held by the Seller (which is presumed to be acting in concert with the Offeror) will not be tendered for acceptance under the Offer, the full acceptance of the Offer will involve 500,000,000 Shares, and on the basis of the Offer Price of HK$0.11 per Offer Share, the maximum consideration payable by the Offeror under the Offer would be HK$55,000,000.

CITICS HK, the exclusive financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

Effect of Accepting the Offer

By validly accepting the Offer, the Independent Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions (but excluding the Special Dividend), if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the posting of this Composite Document. Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a representation and warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made. For the avoidance of doubt, the Special Dividend was paid on 14 September 2026 to Shareholders whose names appeared on the register of members of the Company on 31 August 2026 (i.e. the Record Date). The Company confirms that, as at the Latest Practicable Date, except for the Special Dividend which was paid before the date of this Composite Document, the Company has not declared any dividends which have not been distributed and the Company has no plan to declare, recommend, or pay any dividends or make any other distributions before the close of the Offer.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong Stamp Duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.10% (or part thereof) of the market value of the Shares or the consideration payable in respect of the relevant acceptance by the Independent Shareholders, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders who accept the Offer (where the stamp duty calculated includes a fraction of HK$1, the stamp duty would be rounded-up to the nearest HK$1). The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation Advice

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, the Offeror Concert Parties, CITICS HK, CLSA, the Seller, Somerley and their respective directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Payment

Payment in cash in respect of the acceptances of the Offer will be made as soon as possible but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Shares in respect of such acceptance are received by the Offeror or the receiving agent to render each such acceptance of the Offer complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of cash consideration to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

Overseas Shareholders

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Shareholders. However, the Offer is in respect of securities of a company incorporated in the Cayman Islands and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions.

Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Overseas Shareholders in respect of such jurisdictions).

As at the Latest Practicable Date, based on the record in the register of members of the Company, there were no Overseas Shareholders.

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on 7 July 2026 for the purpose of initially holding the Sale Shares and acting as the offeror in connection with the Offer, and in the long term engaging in investment and general trading.

As at the Latest Practicable Date, the Offeror is indirectly wholly owned by 深圳市天瓏移動技術有限公司 (Shenzhen Tinno Mobile Technology Co., Ltd.*) (i.e. Tinno Mobile), principally engaged in the research, development, manufacture and sale of telecommunications equipment and electronics, which is in turn owned as to (i) 97.0149% by 天瓏科技集團股份有限公司 (Tinno Technology Group Co., Ltd.*) (stock code: 400059.NQ) (i.e. Tinno Technology) ; and (ii) 2.9851% by 宜賓市產業投資集團有限公司 (Yibin Industrial Investment Group Co., Ltd.*) which is ultimately owned as to 90% by 宜賓市政府國有資產監督管理委員會 (Yibin Municipal Government State-owned Assets Supervision and Administration Commission*) and 10% by 四川省財政廳 (Sichuan Provincial Department of Finance*).

As at the Latest Practicable Date, Tinno Technology is held as to 45.1348% by Winsang Technologies Limited 永盛科技有限公司 (which is in turn owned as to 44.51% by Lin Man Hung, 12.89% by Lin Wentan, 12.89% by Cai Yingying, 14.86% by Lin Zhendong and 14.86% by Lin Meina), approximately 15% by entities controlled by Lin Man Hung, Lin Wentan, Lin Zhendong and their close relatives (as defined under the Takeovers Code) (the "**Lin Family**") and approximately 40% by shareholders that are not controlled by the Lin Family.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the "Letter from the Board" in this Composite Document. Financial and general information of the Group are set out in Appendix II "Financial Information of the Group" and Appendix IV "General Information of the Group" to this Composite Document, respectively.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Following the completion of the Offer, the Offeror intends to continue the existing businesses of the Group. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets. The Offeror will conduct a detailed review of the existing principal business operations and financial position of the Group. Based on the review results, the Offeror will formulate business strategies together with the existing management of the Group, which may include exploring and developing new business opportunities with a view of achieving business growth of the Group.

* *For identification purpose only*

Other than the proposed change of composition of the Board as set out below and subject to the terms and conditions of the Sale and Purchase Agreement (including the undertaking by the Seller to procure appointment and resignation of directors), the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment or to dispose of or reallocate the Group's assets which are not in the ordinary and usual course of business of the Group. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

PROPOSED CHANGE OF COMPOSITION OF THE BOARD

As at the Latest Practicable Date, the Board was made up of eight Directors, comprising three executive Directors, namely, Mr. Leung Chun Wah, Mr. Tang Che Yin and Mr. Chow Kai Chiu David, two non-executive Directors, namely, Mr. Yung and Ms. Li Pik Mui Cindy, and three independent non-executive Directors, namely, Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer.

It is intended that all Directors will resign from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. the first closing date of the Offer).

As at the Latest Practicable Date, the Offeror intends to nominate new Director(s) to the Board no earlier than the date of posting of this Composite Document. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Director(s) and the timing for the nomination to take effect. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange.

The Stock Exchange has stated that:

(a) if, upon closing of the Offer, the Stock Exchange believes that:

- a false market exists or may exist in the Shares; or
- an orderly market does not exist or may not exist,

it will consider exercising its discretion to suspend dealing in the Shares; and

(b) if, at the close of the Offer, the Company has a Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules), then:

- the Stock Exchange will add a designated marker to the stock name of the Shares; and
- the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with Rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall until the prescribed level of public float is restored.

The sole director of the Offeror has, and the new Directors to be appointed no earlier than the posting of this Composite Document will, jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, the Company fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps, which may include but not limited to placing down sufficient number of Shares, as soon as possible following the close of the Offer to ensure the Company's compliance with Rule 13.32B at the earliest possible moment.

GENERAL

To ensure equality of treatment to all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror and Offeror Concert Parties, CLSA, the Company, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities whatsoever which may arise as a result thereof. Further details in respect of the procedures for acceptance of the Offer are set out in Appendix I "Further Terms and Procedures for Acceptance of the Offer" to this Composite Document.

WARNING

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares, and if they are in any doubt about their position or as to the action they should take, they should consult their stockbroker, bank manager, solicitor or other professional advisers.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information relating to the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, you are reminded to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" set out in this Composite Document and to consult your professional advisers as you see fit, before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
CLSA Limited
CHAN Wai Hung, Edmund
Managing Director, Head of M&A

SMC ELECTRIC LIMITED
蜆殼電業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2381)

Executive Directors:
Mr. LEUNG Chun Wah
Mr. TANG Che Yin
Mr. CHOW Kai Chiu David

Non-executive Directors:
Mr. YUNG Kwok Kee Billy *(Chairman)*
Ms. LI Pik Mui Cindy

Independent Non-executive Directors:
Mr. LEUNG Man Chiu Lawrence
Mr. POON Chak Sang Plato
Mr. HO Chi Sing Spencer

Registered Office:
Windward 3,
Regatta Office Park,
PO Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Head office and principal place of business in Hong Kong:
1/F, Shell Industrial Building,
12 Lee Chung Street,
Chai Wan,
Hong Kong

15 September 2026

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF MEGA NOVA HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SMC ELECTRIC LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND OFFEROR CONCERT PARTIES)

INTRODUCTION

References are made to (i) the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer; (ii) the Special Dividend Announcement in relation to, among other things, the declaration and payment of the Special Dividend; and (iii) the Completion Announcement in relation to, among other things, the Completion.

On 31 July 2026, the Offeror and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Seller conditionally agreed to sell, the Sale Shares, being 1,400,000,000 Shares (representing 70% of the total issued Shares), for a total Consideration of HK$154,000,000, equivalent to HK$0.11 per Sale Share. As disclosed in the Special Dividend Announcement, the Record Date of the Special Dividend was 31 August 2026. Completion took place on 8 September 2026 after the Record Date. Payment of the Special Dividend was made on 14 September 2026.

Immediately following the Completion, the Offeror and Offeror Concert Parties (other than the Seller) own 1,400,000,000 Shares (representing 70% of the total issued Shares), and the Seller owns 100,000,000 Retained Shares (representing 5% of the total issued Shares). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and Offeror Concert Parties).

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the Letter from CLSA containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer, in particular, as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Li Pik Mui Cindy, a non-executive Director, and Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer, each an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Mr. Yung, a non-executive Director, is the ultimate beneficial owner of the Seller and therefore he is not a member of the Independent Board Committee.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

PRINCIPAL TERMS OF THE OFFER

CLSA is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . **HK$0.11 in cash**

Pursuant to the Takeovers Code, the Offer Price must not be lower than the purchase price per Sale Share payable by the Offeror to the Seller under the Sale and Purchase Agreement. The Offeror has therefore decided to set the Offer Price at HK$0.11 (which is the same as the Consideration per Sale Share).

The Offer will be extended to all Shareholders other than the Offeror and Offeror Concert Parties in accordance with the Takeovers Code.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and interests attaching thereto, including all rights to receive any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

For the avoidance of doubt, the Special Dividend was paid on 14 September 2026 to Shareholders whose names appeared on the register of members of the Company on 31 August 2026 (i.e. the Record Date). The Company confirms that, as at the Latest Practicable Date, except for the Special Dividend which was paid before the date of this Composite Document, the Company did not have any dividend or distribution recommended, declared or made but unpaid and has no intention to make any distribution or declare dividends before the close of the Offer. No change has been or will be made to the Offer Price after the declaration and/or payment of the Special Dividend.

As at the Latest Practicable Date, the Company has 2,000,000,000 Shares in issue. There are no outstanding Shares, options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares.

The Offer Price

The Offer Price of HK$0.11 per Share represents:

(a) a discount of approximately 69.44% to the closing price of HK$0.360 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 65.63% to the closing price of HK$0.320 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 66.36% to the average closing price of approximately HK$0.327 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 65.08% to the average closing price of approximately HK$0.315 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 61.27% to the average closing price of approximately HK$0.284 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;

(f) a premium of approximately 74.60% over the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.063 per Share as at 31 December 2025 calculated based on the information as set out in the Company's annual report for the year ended 31 December 2025; and

(g) a premium of approximately 78.87% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.0615 per Share as at 30 June 2026 calculated based on the information as set out in the Company's interim report for the six months ended 30 June 2026.

Highest and Lowest Closing Prices of Shares

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.395 per Share on 9 September 2026 and HK$0.127 per Share on 23 March 2026, respectively.

Value of the Offer

As at the Latest Practicable Date, there are 2,000,000,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK$0.11 per Offer Share and 600,000,000 Shares that will be subject to the Offer, the Offer would be valued at HK$66,000,000.

On the basis that: (i) the Sale Shares have been held by the Offeror since Completion; (ii) there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer; and (iii) the Retained Shares held by the Seller (which is presumed to be acting in concert with the Offeror) will not be tendered for acceptance under the Offer, the full acceptance of the Offer will involve 500,000,000 Shares, and on the basis of the Offer Price of HK$0.11 per Offer Share, the maximum consideration payable by the Offeror under the Offer would be HK$55,000,000.

Further Details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the "Letter from CLSA" to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2381). The Group is principally engaged in manufacturing and selling of electric tools and sourcing and selling of electric fans.

Set out below is certain financial information extracted from the audited consolidated results of the Group for each of the two financial years ended 31 December 2025 and the unaudited consolidated results for the six months ended 30 June 2026, as extracted from the annual reports of the Company for the year ended 31 December 2025 and the interim report for the six months ended 30 June 2026, respectively.

	For the six months ended 30 June 2026	For the year ended 31 December	
	2026	2025	2024
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*
Revenue	95,839	217,822	257,278
(Loss)/Profit before income tax	(3,325)	11,244	31,076
Income tax expense	(10)	(1,766)	(4,716)
(Loss)/Profit for the year attributable to owners of the Company	(3,335)	9,478	26,360

The audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2025 were approximately HK$125,348,000, equivalent to approximately HK$0.063 per Share. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2026 were approximately HK$122,995,000, equivalent to approximately HK$0.0615 per Share.

Further financial information and general information in relation to the Group are set out in Appendix II "Financial Information of the Group" and Appendix IV "General Information of the Group" to this Composite Document.

Shareholding Structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the date of the Joint Announcement and immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	As of the date of the Joint Announcement and immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
Shareholders	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Offeror and the Offeror Concert Parties (other than the Seller) *(Note 1)*	–	–	1,400,000,000	70
Seller *(Note 2)*	1,500,000,000	75	100,000,000	5
Sub-total of Offeror and the Offeror Concert Parties ***(Note 3)***	**1,500,000,000**	**75**	**1,500,000,000**	**75**
Independent Shareholders	500,000,000	25	500,000,000	25
Total	2,000,000,000	100	2,000,000,000	100

Notes:

1. As the Retained Shares are subject to the Lock-up Undertaking under the Sale and Purchase Agreement, the Seller is presumed to be acting in concert with the Offeror under Note 8 to Rule 22 of the Takeovers Code for the period of the Lock-up Undertaking.

2. As at the Latest Practicable Date, the Seller is directly held as to 80.55% by Red Dynasty Investments Limited, which in turn is directly wholly owned by Mr. Yung. The remaining 19.45% interest in the Seller is owned as to (i) 12.9% in aggregate by the late Mrs. Yung Ho Wun Ching (being the late mother of Mr. Yung) (the "**Late Madam Yung**"), among which 10.2% is held by the executor(s) of the estate of the Late Madam Yung and the remaining 2.7% is directly owned by the Late Madam Yung; (ii) 4.7% by Mr. Yung Kwok Choi, Simon (brother of Mr. Yung); (iii) 0.0004% by Ms. Yung Claudia Natalie (daughter of Mr. Yung); and (iv) 1.8996% by over 60 individuals and entities that are third party(ies) independent of and not connected with the Company and any of its connected persons (within the meaning of the Listing Rules) and are not Offeror Concert Parties.

3. CITICS HK is the exclusive financial adviser to the Offeror in respect of the Offer. Accordingly, CITICS HK and persons controlling, controlled by or under the same control as CITICS HK (except exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Offeror in relation to the Company in accordance with Class (5) of the definition of "acting in concert" under the Takeovers Code. As at the Latest Practicable Date, members of the CITICS HK group do not legally or beneficially own, control or have direction over any Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary investment clients of the CITICS HK group). Nor were there any borrowing or lending of, or dealing in, Shares (or options, rights over Shares, warrants or derivatives in respect of them) by any members of the CITICS HK group during the Relevant Period (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive for such purposes of the Takeovers Code and also excluding the Shares held on behalf of non-discretionary investment clients of the CITICS HK group).

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from CLSA" and Appendix III "General Information of the Offeror" to this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed "Intentions of the Offeror in relation to the Group" in the "Letter from CLSA" of this Composite Document and the following disclosure as extracted therefrom:

Following the completion of the Offer, the Offeror intends to continue the existing businesses of the Group. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets. The Offeror will conduct a detailed review of the existing principal business operations and financial position of the Group. Based on the review results, the Offeror will formulate business strategies together with the existing management of the Group, which may include exploring and developing new business opportunities with a view of achieving business growth of the Group.

Other than the proposed change of composition of the Board as set out below and subject to the terms and conditions of the Sale and Purchase Agreement, the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment or to dispose of or reallocate the Group's assets which are not in the ordinary and usual course of business of the Group. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

The Board has noted the intentions of the Offeror in respect of the Group and its employees and will render cooperation and support to the Offeror.

Proposed Change of Composition of the Board

Your attention is drawn to the section headed "PROPOSED CHANGE OF COMPOSITION OF THE BOARD" in the "Letter from CLSA" of this Composite Document.

As at the Latest Practicable Date, the Board is made up of eight Directors, comprising three executive Directors, namely, Mr. Leung Chun Wah, Mr. Tang Che Yin and Mr. Chow Kai Chiu David, two non-executive Directors, namely, Mr. Yung and Ms. Li Pik Mui Cindy, and three independent non-executive Directors, namely, Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer.

All Directors will resign from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. the first closing date of the Offer).

As at the Latest Practicable Date, the Offeror intends to nominate new Director(s) to the Board no earlier than the date of posting of this Composite Document. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Director(s) and the timing for the nomination to take effect. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

Further announcement(s) will be made by the Company in respect of the appointment of new Director(s) as and when appropriate.

Public Float and Maintaining the Listing Status of the Company

The Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange.

The Stock Exchange has stated that:

(a) if, upon closing of the Offer, the Stock Exchange believes that:

- a false market exists or may exist in the Shares; or

- an orderly market does not exist or may not exist,

it will consider exercising its discretion to suspend dealing in the Shares; and

(b) if, at the close of the Offer, the Company has a Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules), then:

- the Stock Exchange will add a designated marker to the stock name of the Shares; and

- the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with Rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall until the prescribed level of public float is restored.

The sole director of the Offeror has, and the new Directors to be appointed no earlier than the posting of this Composite Document will, jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, the Company fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps, which may include but not limited to placing down sufficient number of Shares, as soon as possible following the close of the Offer to ensure the Company's compliance with Rule 13.32B at the earliest possible moment.

RECOMMENDATION

Your attention is drawn to (i) "Letter from CLSA" as set out on pages 11 to 24 of this Composite Document, (ii) "Letter from the Independent Board Committee" as set out on pages 37 to 38 of this Composite Document, which contains its advice and recommendation to the Independent Shareholders in respect of the Offer and (iii) "Letter from the Independent Financial Adviser" as set out on pages 39 to 68 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I "Further Terms and Procedures for Acceptance of the Offer" to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
For and on behalf of the Board of
SMC Electric Limited
Yung Kwok Kee Billy
Non-Executive Director and Chairman

SMC ELECTRIC LIMITED
蜆壳電業有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2381)

15 September 2026

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF MEGA NOVA HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SMC ELECTRIC LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND OFFEROR CONCERT PARTIES)

INTRODUCTION

We refer to the composite document (the "**Composite Document**") dated 15 September 2026 jointly issued by the Company and the Offeror in relation to, among other things, the Offer, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Composite Document.

We have been appointed by the Board as the Independent Board Committee for the purpose of advising the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and making recommendation in respect of acceptance thereof.

Red Sun Capital Limited, being the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Offer and, in particular, as to whether the Offer is or is not fair and reasonable and to make recommendation in respect of acceptance thereof pursuant to Rule 2.1 of the Takeovers Code. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the "Letter from the Independent Financial Adviser" as contained in the Composite Document.

We also wish to draw your attention to the "Letter from CLSA", the "Letter from the Board" and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and the acceptance and settlement procedures for the Offer.

RECOMMENDATION

Having considered the terms of the Offer, the information contained in this Composite Document and having taken into account the advice and recommendation of the Independent Financial Adviser and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders to accept the Offer.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer in respect of those Shares.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to accept the Offer or to hold your investment in the Shares is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of the Independent Board Committee of
SMC Electric Limited

Li Pik Mui Cindy	**Leung Man Chiu Lawrence**	**Poon Chak Sang Plato**	**Ho Chi Sing Spencer**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from the Independent Financial Adviser setting out the advice to the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.

紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 2703, 27/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

15 September 2026

To: The Independent Shareholders of SMC Electric Limited

MANDATORY UNCONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF MEGA NOVA HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SMC ELECTRIC LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND OFFEROR CONCERT PARTIES)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of the Offer, details of which are set out in the letter from the Board (the "**Letter from the Board**") and the letter from CLSA (the "**Letter from CLSA**") contained in the composite document dated 15 September 2026 (the "**Composite Document**") jointly issued by Mega Nova Holdings Limited and SMC Electric Limited, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

References are made to (i) the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer; (ii) the Special Dividend Announcement in relation to, among other things, the declaration and payment of the Special Dividend; and (iii) the Completion Announcement in relation to, among other things, the Completion. CLSA, for and on behalf of the Offeror, is making a mandatory unconditional cash offer to acquire all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and the Offeror Concert Parties) at HK$0.11 per Share.

OUR INDEPENDENCE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Li Pik Mui Cindy, a non-executive Director, and Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer, each an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Mr. Yung, a non-executive Director, is the ultimate beneficial owner of the Seller and therefore he is not a member of the Independent Board Committee.

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, we were independent from and not connected to the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer to the Independent Shareholders.

Save for the appointment of Red Sun as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Red Sun and each of the Company and the Offeror during the past two years prior to the date of the appointment of Red Sun as the Independent Financial Adviser. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Red Sun shall receive any fees or benefits from the Company, the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them in connection with the Offer. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the "**Management**"). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Composite Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that to their knowledge after making reasonable enquires, no material facts have been omitted from the information provided and referred to in the Composite Document. In addition, pursuant to the Listing Rules, we have taken reasonable steps to enable ourselves to reach an informed view so as to provide a reasonable basis for our opinion, which included, among others (i) the Joint Announcement; (ii) the Composite Document; (iii) the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**"); (iv) the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**"); (v) the interim report of the Company for the six months ended 30 June 2026 (the "**2026 Interim Report**"); and (vi) other information obtained from the public domain.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. The Shareholders will be notified of any material changes to such information and representations as well as the content of this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued for the information of the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in this Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice with regard to the Offer, we have taken into account the following principal factors and reasons:

(A) Background and financial information of the Group

As set out in the Letter from the Board and with reference to the 2025 Annual Report, the Company is the holding company of the Group and the Group is principally engaged in manufacturing and selling of electric tools and sourcing and selling of electric fans in Americas, Oceania, Asia, Europe and Africa.

Extracted consolidated statements of profit or loss and other comprehensive income of the Group

Set out below are the extracted consolidated statements of profit or loss and other comprehensive income of the Group for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026 as extracted from the 2024 Annual Report, the 2025 Annual Report and the 2026 Interim Report.

	For the year ended 31 December			For the six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	232,920	257,278	217,822	129,981	95,839
Gross profit	63,692	71,075	51,377	32,729	15,188
Profit/(Loss) for the year/period attributable to owners of the Company	20,773	26,360	9,478	12,896	(3,335)

Financial performance for the years ended 31 December 2023 and 2024

As set out in the 2024 Annual Report, total revenue of the Group increased by approximately HK$24.4 million or 10.5% from approximately HK$232.9 million for the year ended 31 December 2023 to approximately HK$257.3 million for the year ended 31 December 2024, mainly attributable to the increase in the sales volume in Americas and Asia. In terms of product type, revenue generated from fans increased by approximately 17.2% from approximately HK$102.6 million for the year ended 31 December 2023 to approximately HK$120.2 million for the year ended 31 December 2024, and revenue generated from vacuum cleaners increased by approximately 5.5% from approximately HK$107.0 million for the year ended 31 December 2023 to approximately HK$112.9 million for the year ended 31 December 2024. In terms of geographical segment, revenue generated from the United States of America ("**United States**") increased by approximately 7.4% from approximately HK$103.4 million for the year ended 31 December 2023 to approximately HK$111.1 million for the year ended 31 December 2024.

The gross profit of the Group increased by approximately HK$7.4 million or 11.6% from approximately HK$63.7 million for the year ended 31 December 2023 to approximately HK$71.1 million for the year ended 31 December 2024, mainly attributable to the increase in revenue as discussed above. The gross profit margin for the year ended 31 December 2024 was approximately 27.6%, representing an increase of approximately 0.3 percentage points compared to approximately 27.3% for the year ended 31 December 2023.

As a result, profit attributable to the owners of the Company for the year ended 31 December 2024 was approximately HK$26.4 million, representing an increase of approximately HK$5.6 million or 26.9% as compared to approximately HK$20.8 million for the year ended 31 December 2023. The increase in profit for the year was mainly attributable to the increase of revenue as mentioned above.

Financial performance for the years ended 31 December 2024 and 2025

As set out in the 2025 Annual Report, total revenue of the Group decreased by approximately HK$39.5 million or 15.4% from approximately HK$257.3 million for the year ended 31 December 2024 to approximately HK$217.8 million for the year ended 31 December 2025, mainly attributable to the decrease in the sales volume and sales unit price in Americas and Asia given the US tariffs and the trade war, which led to cutback in sales. In terms of product type, revenue generated from fans decrease by approximately 2.7% from approximately HK$120.2 million for the year ended 31 December 2024 to approximately HK$116.9 million for the year ended 31 December 2025 due to decrease in customer orders, and revenue generated from vacuum cleaners decrease by approximately 27.0% from approximately HK$112.9 million for the year ended 31 December 2024 to approximately HK$82.4 million for the year ended 31 December 2025, due to decrease in customer orders from the United States. In terms of geographical segment, revenue generated from the United States decreased by approximately 14.7% from approximately HK$111.1 million for the year ended 31 December 2024 to approximately HK$94.8 million for the year ended 31 December 2025, mainly due to the US tariffs and trade war.

The gross profit of the Group decreased by approximately HK$19.7 million or 27.7% from approximately HK$71.1 million for the year ended 31 December 2024 to approximately HK$51.4 million for the year ended 31 December 2025. The gross profit margin for the year ended 31 December 2025 was approximately 23.6%, representing a decrease of approximately 4.0 percentage points compared to approximately 27.6% for the year ended 31 December 2024. The decrease in gross profit margin for the year was mainly attributable to the decrease of sales unit price and sales volume, and increase of raw material costs.

As a result, profit attributable to the owners of the Company for the year ended 31 December 2025 was approximately HK$9.5 million, representing a decrease of approximately HK$16.9 million or 64.0% as compared to approximately HK$26.4 million for the year ended 31 December 2024. The decrease in profit for the year was mainly attributable to the decrease in revenue and gross profit as mentioned above.

Financial performance for six months ended 30 June 2025 and 2026

As set out in the 2026 Interim Report, total revenue of the Group decreased by approximately HK$34.2 million or 26.3% from approximately HK$130.0 million for the six months ended 30 June 2025 to approximately HK$95.8 million for the six months ended 30 June 2026, mainly attributable to the weakened market demand arising from the challenging economic environment due to the global business environment shaped by geopolitical tensions, policy uncertainties and market volatility, which led to a reduction in customer orders. In addition, the conflicts between the United States and Iran, which resulted in the temporary cessation of sales and shipments to the Middle East market and therefore no revenue was generated from such market for the six months ended 30 June 2026, as compared to the revenue of approximately HK$5.0 million generated from such market for the six months ended 30 June 2025 . In addition, relevant delivery (and hence the revenue recognition) has been deferred to the second half of the year due to the further modifications of product design of certain new products mainly for the United States market, which was scheduled for the first half of the year originally. In terms of product type, revenue generated from fans decrease by approximately 33.0% from approximately HK$68.7 million for the six months ended 30 June 2025 to approximately HK$46.0 million for the six months ended 30 June 2026, and revenue generated from vacuum cleaners decrease by approximately 30.1% from approximately HK$49.2 million for the six months ended 30 June 2025 to approximately HK$34.4 million for the six months ended 30 June 2026, given weaken market demand.

The gross profit of the Group decreased by approximately HK$17.5 million or 53.5% from approximately HK$32.7 million for the six months ended 30 June 2025 to approximately HK$15.2 million for the six months ended 30 June 2026. The gross profit margin for the year ended 30 June 2026 was approximately 15.9%, representing a decrease of approximately 9.3 percentage points compared to approximately 25.2% for the corresponding period in 2025. The decrease in gross profit period was mainly attributable to the decrease in sales and increase in raw material costs of electric tools.

As a result, there was a loss attributable to the owners of the Company for the six months ended 30 June 2026 of approximately HK$3.3 million, as compared to a profit attributable to the owners of the Company of approximately HK$12.9 million for the six months ended 30 June 2025. The loss for the period was mainly attributable to the decrease in revenue and gross profit as mentioned above.

Extracted consolidated statements of financial position of the Group

			As at
	As at 31 December		**30 June**
	2024	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*
Non-current assets	14,327	19,711	19,673
Current assets	188,815	166,460	153,713
Total assets	203,142	186,171	173,386
Non-current liabilities	4,106	658	–
Current liabilities	63,455	60,165	50,391
Total liabilities	67,561	60,823	50,391
Total equity	**135,581**	**125,348**	**122,995**

As noted from the table above, the Group's total assets decreased by approximately HK$12.8 million or 6.9% from approximately HK$186.2 million as at 31 December 2025 to approximately HK$173.4 million as at 30 June 2026. As at 30 June 2026, total assets of the Group mainly comprised of (i) trade and other receivables, deposits and prepayments of approximately HK$66.9 million, as compared to approximately HK$70.4 million as at 31 December 2025; (ii) cash and bank balances of approximately HK$52.5 million, as compared to approximately HK$71.0 million as at 31 December 2025; and (iii) inventories of approximately HK$33.3 million, as compared to approximately HK$24.2 million as at 31 December 2025, mainly attributable to certain new product originally scheduled to be delivered to the United States primarily for the first half of the year has been deferred to the second half of the year due to the updating of the product designed resulted in the relevant delivery being deferred.

Total liabilities of the Group decreased by approximately HK$10.4 million or 17.1% from approximately HK$60.8 million as at 31 December 2025 to approximately HK$50.4 million as at 30 June 2026. As at 30 June 2026, total liabilities of the Group mainly comprised of (i) trade and other payables and accruals of approximately HK$47.6 million, as compared to approximately HK$55.2 million as at 31 December 2025; (ii) lease liabilities of approximately HK$1.9 million, as compared to approximately HK$3.6 million as at 31 December 2025 (under both current and non-current portion); and (iii) amounts due to fellow subsidiaries of approximately HK$1.0 million, as compared to approximately HK$1.3 million as at 31 December 2025.

Total equity of the Company decreased by approximately HK$2.3 million or 1.9% from approximately HK$125.3 million as at 31 December 2025 to approximately HK$123.0 million as at 30 June 2026.

Given the contraction in the Group's balance sheet and the decrease in profitability of the Group, we are of the view that the Offer may provide a reasonable opportunity for Independent Shareholders to realise their investment in the Company.

(B) Industry and outlook of the Group

The ongoing geopolitical uncertainties and economic challenges prevailing in major economies, including the protectionist policies under the current U.S. administration, such as the imposed tariffs and sanctions, may continue to represent a challenge to the world's economic environment as a whole.

In addition, we have extracted the data below from the Trade Map (*www.trademap.org*), an online database on international trade statistics, providing an array of useful indicators on export performance, international demand, alternative markets and the role of competitors from both the product and country perspectives run by the International Trade Centre, a multilateral agency with a joint mandate with the World Trade Organization and the United Nations through the United Nations Conference on Trade and Development. As stated in the website of the Trade Map, the yearly data in Trade Map are mainly based on UN Comtrade, the world's largest database of trade statistics, maintained by the United Nations Statistics Division and this data is complemented by national sources when the information is not available in UN Comtrade.

Based on the 2025 Annual Report and our discussion with the Management, we noted that, for the year ended 31 December 2025, among the revenue generated from fans products of approximately HK$116.9 million (most of them were manufactured in the PRC), not less than 35% and 20% was generated from Australia and the United States, respectively, and among the revenue generated from vacuum cleaners products of approximately HK$82.4 million (most of them were manufactured in Vietnam), not less than 70% was generated from the United States.

Set out below is the yearly imported value of table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an output under 125 Watts (the "**Fan Products**"), which is the product category most relevant to the fans sold by the Group (i) to Australia from the PRC and (ii) to the United States from the PRC; and (iii) vacuum cleaners, incl. dry cleaners and wet vacuum cleaners (the "**Vacuum Cleaner Products**"), which is the product category most relevant to the vacuum cleaner sold by the Group, to the United States from Vietnam , with an aim to understand the market demand for the major products of the Company, for a period of five years from 2021 to 2025 as extracted from the Trade Map:

	2021	**2022**	**2023**	**2024**	**2025**
	US$' million	*US$' million*	*US$' million*	*US$' million*	*US$' million*
Australia' s imports of Fan Products from the PRC[1]	119	116	102	138	152
United States' imports of Fan Products from the PRC[2]	2,200	2,200	1,600	1,800	1,500
United States' imports of Vacuum Cleaner Products from Vietnam[3]	442	562	727	1,000	1,400
Total	2,671	2,878	2,429	2,938	3,052
Compound annual growth rate (CAGR) (%)					3.4%

1 https://www.trademap.org/en/goods/time-series/imports/c/842/c/000/p/841451/byPartner/year/default/direct/values/USD/table

2 https://www.trademap.org/en/goods/time-series/imports/c/842/c/000/p/841451/byPartner/year/default/direct/values/USD/table

3 https://www.trademap.org/en/goods/time-series/imports/c/842/c/000/p/8508/byPartner/year/default/direct/values/USD/table

As shown in the table above, from 2021 to 2025, value of Australia's imports of Fan Products from the PRC increased from approximately US$119 million to approximately US$152 million, and value of the United States' imports of Vacuum Cleaner Products from Vietnam increased from approximately US$442 million to approximately 1,400 million, while value of the United States' imports of Fan Products from the PRC decrease from approximately US$2,200 million to approximately US$1,500 million. Overall, market demand for the major products of the Company only recorded a mild increase from approximately US$2,670 million to approximately US$ 3,052 million from 2021 to 2025.

Furthermore, the ongoing US tariffs and the trade war and conflict in the Middle East, including the Iran War, which may or may not be prolonged, already had and/or may have a notable impact on oil and gas prices, leading to surging prices of oil, gases prices and raw materials and inflation, which may bring negative impact to the cost of production. It is perceived that consumer demand will be weak arising from the challenging economic environment.

Based on the above, we are of the view that the Offer may provide a reasonable opportunity for Independent Shareholders to realise their investment in the Company as the prospect of the Group is conservative optimistic.

(C) Information and intention of the Offeror

(i) Information of the Offeror

The Offeror is a company incorporated in Hong Kong with limited liability on 7 July 2026 for the purpose of initially holding the Sale Shares and acting as the offeror in connection with the Offer, and in the long term engaging in investment and general trading.

As at the Latest Practicable Date, the Offeror is indirectly wholly owned by 深圳市天瓏移動技術有限公司 (Shenzhen Tinno Mobile Technology Co., Ltd.*) (i.e. Tinno Mobile), principally engaged in the research, development, manufacture and sale of telecommunications equipment and electronics, which is in turn owned as to (i) 97.0149% by 天瓏科技集團股份有限公司 (Tinno Technology Group Co., Ltd.*) (stock code: 400059.NQ) (i.e. Tinno Technology) ; and (ii) 2.9851% by 宜賓市產業投資集團有限公司 (Yibin Industrial Investment Group Co., Ltd.*) which is ultimately owned as to 90% by 宜賓市政府國有資產監督管理委員會 (Yibin Municipal Government State-owned Assets Supervision and Administration Commission*) and 10% by 四川省財政廳 (Sichuan Provincial Department of Finance*).

As at the Latest Practicable Date, Tinno Technology is held as to 45.1348% by Winsang Technologies Limited 永盛科技有限公司 (which is in turn owned as to 44.51% by Lin Man Hung, 12.89% by Lin Wentan, 12.89% by Cai Yingying, 14.86% by Lin Zhendong and 14.86% by Lin Meina), approximately 15% by entities controlled by Lin Man Hung, Lin Wentan, Lin Zhendong and their close relatives (as defined under the Takeovers Code) (the "**Lin Family**") and approximately 40% by shareholders that are not controlled by the Lin Family.

(ii) Intentions of the Offeror in relation to the Group

Following the completion of the Offer, the Offeror intends to continue the existing businesses of the Group. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets. The Offeror will conduct a detailed review of the existing principal business operations and financial position of the Group. Based on the review results, the Offeror will formulate business strategies together with the existing management of the Group, which may include exploring and developing new business opportunities with a view of achieving business growth of the Group.

Other than the proposed change of composition of the Board as set out below and subject to the terms and conditions of the Sale and Purchase Agreement (including the undertaking by the Seller to procure appointment and resignation of directors), the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment or to dispose of or reallocate the Group's assets which are not in the ordinary and usual course of business of the Group. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

(iii) Proposed change of Board Composition

As at the Latest Practicable Date, the Board is made up of eight Directors, comprising three executive Directors, namely, Mr. Leung Chun Wah, Mr. Tang Che Yin and Mr. Chow Kai Chiu David, two non-executive Directors, namely, Mr. Yung and Ms. Li Pik Mui Cindy, and three independent non-executive Directors, namely, Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer.

We noted that all Directors will resign from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. the first closing date of the Offer).

As at the Latest Practicable Date, the Offeror intends to nominate new Director(s) to the Board no earlier than the date of posting of the Composite Document. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Director(s) and the timing for the nomination to take effect. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

Based on the above and the background information sets out under the sub-section headed "Information of the Offeror" above and publicly available information, we are of the view that principal businesses of 深圳市天瓏移動技術有限公司 (Shenzhen Tinno Mobile Technology Co., Ltd.*), which owned the Offeror, in the field of research, development, manufacture and sale of telecommunications equipment and electronics, while valuable, and the background of the directors of the Offeror and Shenzhen Tinno does not directly translate into expertise in the Group's principal business of manufacturing and selling of electric tools and sourcing and selling of electric fans. As such, this may represent a potential disadvantage during the transition period after the close of the Offer.

(iv) Intention of the Offeror to maintain the listing status of the Company

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange.

The sole director of the Offeror has, and the new Directors to be appointed no earlier than the posting of the Composite Document will jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, the Company fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps, which may include but not limited to placing down sufficient number of Shares, as soon as possible following the close of the Offer to ensure the Company's compliance with Rule 13.32B at the earliest possible moment.

(v) Our view

Having considered the above in particular that the Offeror intends to continue the existing businesses of the Group, we are of the view that there would not be substantial change in the principal business activities of the Group as a direct result of the Offer.

(D) Principal terms of the Offer

The Offer is made by CLSA for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . HK$0.11 in cash

Pursuant to the Takeovers Code, the Offer Price must not be lower than the purchase price per Sale Share payable by the Offeror to the Seller under the Sale and Purchase Agreement (which is the same as the Consideration per Sale Share), which was agreed between the Seller and the Offeror after arm's length negotiations, taking into account the prevailing closing prices of the Shares and the financial information of the Group with reference to the Joint Announcement. The Offeror has therefore decided to set the Offer Price at HK$0.11. The Offer will be extended to all Shareholders other than the Offeror and the Offeror Concert Parties in accordance with the Takeovers Code.

The Offeror will not increase the Offer Price for the Offer Shares as set out above. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and interests attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document. As at the Latest Practicable Date, save for the Special Dividend, the Company does not have any dividend or distribution recommended, declared or made but unpaid and has no intention to make any distribution or declare dividends before the close of the Offer. No reduction will be made to the Offer Price after the declaration and/or payment of the Special Dividend, and the Offer Price will remain unchanged whether or not the Special Dividend is declared and/or paid.

Save for the 2,000,000,000 Shares in issue as at the Latest Practicable Date, there are no outstanding Shares, options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code). The Offer will be unconditional in all respects when made and will not be conditional upon acceptances being received in respect of a minimum number of Offer Shares.

Further details of the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

(i) The Offer Price

The Offer Price of HK$0.11 per Share represents:

(a) a discount of approximately 69.44% to the closing price of HK$0.360 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 65.63% to the closing price of HK$0.320 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 59.89% to the ex-dividend closing price of HK$0.27425 per Share as quoted on the Stock Exchange on the Last Trading Day after taking into account the Special Dividend of HK$0.04575 declared;

(d) a discount of approximately 66.36% to the average closing price of approximately HK$0.327 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 65.08% to the average closing price of approximately HK$0.315 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(f) a discount of approximately 61.27% to the average closing price of approximately HK$0.284 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;

(g) a premium of approximately 74.60% over the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.063 per Share as at 31 December 2025 calculated based on the information as set out in the Company's annual report for the year ended 31 December 2025; and

(h) a premium of approximately 547.06% over the ex-dividend consolidated net asset value attributable to owners of the Company of approximately HK$0.017 per Share as at 31 December 2025 calculated based on the information as set out in the Company's annual report for the year ended 31 December 2025 after taking into account the Special Dividend of HK$0.04575 declared, payment of which was made on 14 September 2026;

(i) a premium of approximately 78.87% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.0615 per Share as at 30 June 2026 calculated based on the information set out in the 2026 Interim Report; and

(j) a premium of approximately 587.5% over the ex-dividend unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.16 per Share as at 30 June 2026 calculated based on the information as set out in the 2026 Interim Report after taking into account the Special Dividend of HK$0.04575 declared, payment of which was made on 14 September 2026.

(ii) Highest and Lowest Closing Prices of Shares

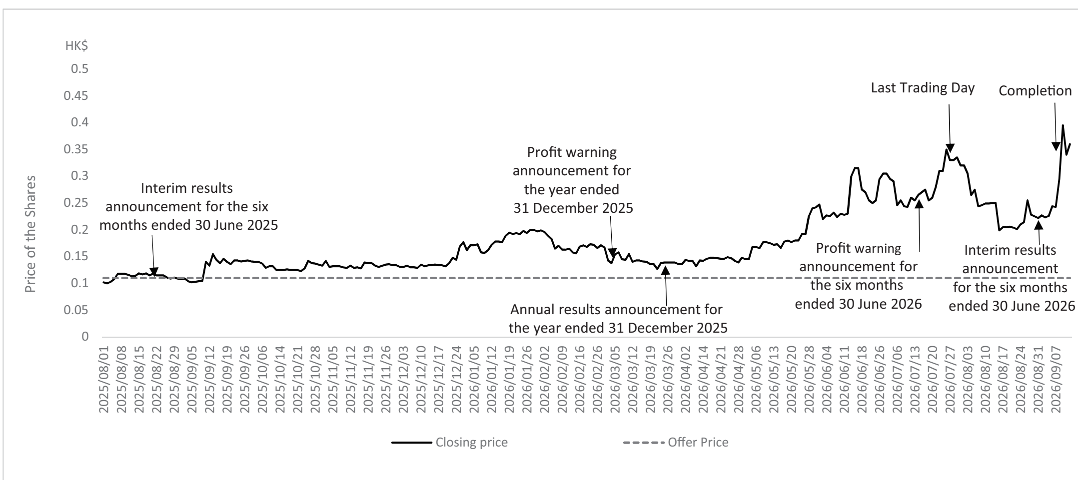
During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.395 per Share on 9 September 2026 and HK$0.127 per Share on 23 March 2026, respectively.

(iii) Value of the Offer

As at the Latest Practicable Date, there are 2,000,000,000 Shares in issue. On the basis of the Offer Price of HK$0.11 per Offer Share, the entire issued share capital of the Company is valued at HK$220,000,000. Excluding the Sale Shares which will be acquired by the Offeror under the Sale and Purchase Agreement and the Retained Shares and assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer, a total of 500,000,000 Shares is subject to the Offer. Based on the Offer Price of HK$0.11 per Offer Share and on the basis of full acceptance of the Offer, the maximum payment obligations payable by the Offeror under the Offer would be HK$55,000,000.

(E) Analysis on historical price performance of the Shares

We have analysed the movements in the closing price of the Shares for the period from 1 August 2025 to the Latest Practicable Date (i.e. 11 September 2026), being approximately the 12-month period prior to the Last Trading Day (the "**Review Period**"). We consider that a period of 12 months is adequate and long enough to illustrate the recent price movements of the Shares for a reasonable comparison between the Offer Price and the closing price of the Shares with a view to assessing the reasonableness and fairness of the Offer Price. Set out below is the analysis on the Offer Price and the closing price of the Shares during the Review Period:



Source: www.hkex.com.hk

As illustrated in the chart above, closing prices of the Shares fluctuated within a range from HK$0.10 per Share to HK$0.395 per Share during the Review Period, and the Offer Price is within such range but below the price of the Share for much of the Review period.

The closing price of the Shares maintained stable in the range of HK$0.095 to HK$0.119 per Share between the start of the Review Period to 10 September 2025. The closing price of the Shares increased significantly from HK$0.105 per Share on 10 September 2025 to HK$0.14 per Share on 11 September 2025. We have enquired with the Directors regarding the possible reasons for the increase in the Share price on 11 September 2025 and were advised that they were not aware of any particular matters which might have impact on the Share price. Between 11 September 2025 and up to 27 May 2026, the closing price of the Shares was in a general increasing trend from HK$0.125 to HK$0.2. Between 28 May 2026 and up to 16 June 2026, the closing price of the Shares increased significantly from HK$0.225 per Share on 28 May 2026 to HK$0.315 per Share on 16 June 2026. We have enquired with the Directors regarding the possible reasons for the significant increase in the Share price on 28 May 2026 and 16 June 2026, respectively, with a relatively high trading volume of Shares of 17,200,000 Shares and 11,840,200 Shares, respectively, and were advised that they were not aware of any particular matters which might have impact on the Share price. The closing price of the Shares further increased to HK$0.335 on 29 July 2026. After the Last Trading Day, closing price of the Shares decreased gradually to HK$0.199 on 14 August 2026, and increased to HK$0.36 as at the Latest Practicable Date, which is higher than the Offer price.

(F) Analysis on historical trading liquidity of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. Set out below is number of trading days, average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period:

Month/period	**Number of trading days**	**Average daily trading volume**	**Percentage of average trading volume to total number of Shares in issue** *(Note 1)*	**Percentage of average trading volume to total number of Shares held by public Shareholders** *(Note 2)*
	Days	*Number of shares*	*Approximately percentage*	*Approximately percentage*
2025				
August	21	1,573,333	0.08%	0.31%
September	22	4,203,182	0.21%	0.84%
October	20	943,000	0.05%	0.19%
November	20	620,500	0.03%	0.12%
December	21	1,653,810	0.08%	0.33%
2026				
January	21	3,769,500	0.19%	0.75%
February	17	1,270,000	0.06%	0.25%
March	22	905,909	0.05%	0.18%
April	19	279,474	0.01%	0.06%
May	19	4,267,368	0.21%	0.85%
June	21	5,367,633	0.27%	1.07%
July	22	2,530,455	0.13%	0.51%
August	21	6,575,238	0.33%	1.32%
September (up to 11 September 2026)	9	11,758,889	0.59%	2.35%
		Maximum	0.59%	2.35%
		Minimum	0.01%	0.06%
		Average	0.16%	0.65%

Source: www.hkex.com.hk

Notes:

1. Based on the total number of the Shares in issue, which is 2,000,000,000 Shares at the end of month/period.

2. Based on the total number of the Shares held by public Shareholders, i.e. Shareholders other than the Offeror and parties acting in concert with it and substantial Shareholder, which is 500,000,000 Shares as at the end of relevant month/period.

As illustrated in the table above, during the Review Period, the average daily trading volume for each month or period as a percentage to the total number of Shares in issue at the end of the respective month or period ranged from approximately 0.01% to 0.59% with an average of approximately 0.16%. The average daily trading volume for each month or period as a percentage to the total number of Shares held by public Shareholders at the end of the respective month or period ranged from approximately 0.06% to 2.35% with an average of approximately 0.65%. In general, the average daily trading volume of the Shares are higher in recent months, in particular after the date of Joint Announcement (i.e. 31 July 2026). Based on the analysis above, we consider that the liquidity of the Shares fluctuated during the Review Period, and the average daily trading volume for each month or period as a percentage to the total number of Shares held by public Shareholders at the end of the respective month or period ranged was below 1% before the Joint Announcement in general. Based on the analysis above, we consider that the liquidity of the Shares was generally thin. In normal circumstances, if the Independent Shareholders dispose Shares in the open market in bulk, this may exert downward pressure on the market price of Shares.

Shareholders should note that in normal circumstances, if the Independent Shareholders dispose Shares in the open market in bulk, this may exert downward pressure on the market price of Shares. While the Offer provides an option to the Independent Shareholders for realising their investment at the Offer Price within a short period of time, Independent Shareholders who consider to realise their investment are advised to do so in the open market instead of accepting the Offer if the trading prices of the Shares are above the Offer Price. Independent Shareholders who possess a relatively sizeable shareholdings are also advised to take into account the potential pressure on the Share price when selling in bulk or realise their shareholdings by batches.

(G) Market comparables analysis

With a view to assess the fairness and reasonableness of the terms of the Offer Price, we have considered the implied price-to-book ratio (the "**P/B Ratio**") and the implied price-to-earnings ratio (the "**P/E Ratio**") of the Company, as calculated based on the Offer Price, and its comparable companies. P/B Ratio and P/E Ratio, which are commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained from publicly and readily available information directly to reflect the value of the companies determined by the open market. These multiples are also widely adopted by market participants as they provide complementary perspectives on a company's net asset value and earnings generation ability, respectively.

Given that (i) the Group is principally engaged in the manufacturing and selling of electric tools and sourcing and selling of electric fans; and (ii) the market capitalisation of the Company was approximately HK$640.0 million as at the Last Trading Day (based on the total issued Shares of 2,000,000,000 Shares and the closing price per Share of HK$0.320), we have selected comparable companies which are (i) listed on the Stock Exchange without suspension of trading in its shares on the Last Trading Day; (ii) principally engaged in manufacture, distribution and selling of household appliances or related products, with not less than 50% of revenue generated from Americas according to their respective latest published annual reports (with reference to approximately 53.1% of Company's revenue was generated from Americas (including the United States, Canada and Mexico) for the year ended 31 December 2025); (iii) with market capitalisation of not more than HK$1,000.0 million as at the Last Trading Day (the "**Initial Comparable Market Capitalisation**"); and (iv) generated a profit attributable to its owners for the latest financial year. Based on the above selection criteria (the "**Initial Comparable Companies Criteria**"), we have identified one comparable companies , being X.J. Electrics (Hu Bei) Group Co., Ltd ("**X.J. Electrics**"). Given the limited number of comparable company, with a view to obtain a larger and more representative sample size, we have extended the Initial Comparable Market Capitalisation to (i) remove the limitation of geographic source of revenue; and (ii) not more than HK$10,000 million as at the Last Trading Day (the "**Final Comparable Market Capitalisation**") while keeping all other Initial Comparable Companies Criteria the same (together, the "**Final Comparable Companies Criteria**"). On this basis, we have identified an exhaustive list of four comparable companies (the "**Comparable Companies**").

We noted that no Comparable Companies matches the exact business model, scale, trading potential, target markets, product mix (i.e. fans, which attributable to over 50% of the Company based on 2025 Annual Report), and capital structure of the Company, and we have not conducted a detailed analysis of the Comparable Companies beyond these criteria. Nonetheless, having considered the Comparable Companies (i) are principally engaged in business similar to the Group, i.e. principally engaged in manufacture, distribution and selling of household appliances or related products and the relevant services; (ii) have similar market capitalisation as the Group; (iii) are listed on the Stock Exchange and hence share similar market sentiment of the Company; and (iv) represent an exhaustive list of companies meeting the aforementioned criteria, we are of the view that the Comparable Companies are comparable, representative and suitable as benchmark references for our analysis purpose, which reflecting the prevailing market sentiment towards this business sector and business models for companies similarly engaged in similar businesses and nature, i.e. principally engaged in manufacture, distribution and selling of household appliances or related products, and which are also listed on the same platform. In addition, business nature is the determinant factor in selecting the relevant and appropriate comparable companies, which reflects the risks and returns of similar business activities as exposed to both the Company and the identified comparable companies. Although the size, scale of operations and prospects of the Comparable Companies may not be the same as the Group, the Comparable Companies are all engaged in similar business activities and industry, which share similar risks and returns faced by the Group. Hence we consider it is a representative list of Comparable Companies for the purpose of our analysis. We set out our findings in the following table:

No	**Company name (Stock code)**	**Principal activities**	**Market Capitalisation** *(Note 1)* *HK$ million*	**P/E Ratio** *(Note 2)* *Times*	**P/B Ratio** *(Note 3)* *Times*
1.	Chervon Holdings Limited (2285)	Principally engaged in researching, developing, manufacturing, testing, sales, and after-sale services for power tools, outdoor power equipment and related products, with over 70% of revenue generated from North America	9,720.7	12.9	1.2

No	Company name (Stock code)	Principal activities	Market Capitalisation *(Note 1)* *HK$ million*	P/E Ratio *(Note 2)* *Times*	P/B Ratio *(Note 3)* *Times*
2.	Town Ray Holdings Limited (1692)	Principally engaged in the manufacture and sale of electrothermic household appliances with over 80% of revenue generated from Europe	470.3	7.5	1.4
3.	Raymond Industrial Limited (229)	Principally engaged in the manufacture and sale of electrical home appliances, with over 30.3%, 25.5%, 20.9% and 20.3% of revenue generated from Asia, Europe, North America and Latin America, respectively	416.1	9.0	0.6
4.	X.J. Electrics (2619)	Principally engaged in the research and development, design, production and manufacturing of electric home appliances and non-electric household goods, with over 80% of revenue generated from Americas.	343.8	6.1	0.3
	Maximum			12.9	1.4
	Minimum			6.1	0.3
	Average			8.8	0.9
	Median			8.2	0.9

No	Company name (Stock code)	Principal activities	Market Capitalisation *(Note 1)* *HK$ million*	P/E Ratio *(Note 2)* *Times*	P/B Ratio *(Note 3)* *Times*
	The Company	Principally engaged in manufacturing and selling of electric tools and sourcing and selling of electric fans, with over 50% of revenue generated from Americas (including the United States, Canada and Mexico)	220.0 *(Note 4)*	23.2	6.5 *(Note 5)*

Source: www.hkex.com.hk

Notes:

1. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Last Trading Day.

2. The P/E Ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Last Trading Day divided by the profit attributable to owners of the respective Comparable Company in the latest financial year.

3. The P/B Ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Last Trading Day, divided by the net asset value attributable to owners of the Comparable Companies as at the end of their respective latest financial year/ period.

4. Being the market capitalisation of the Company as implied by the Offer Price.

5. The P/B Ratio of the Company is calculated based on the market capitalization as implied by the Offer Price divided by the net asset value attributable to owners of the Company as at 31 December 2025 after deduction of the Special Dividend of HK$91,500,000.

As illustrative in the above table, the P/E Ratios of the Comparable Companies ranged from approximately 6.1 times to approximately 12.9 times, with an average of approximately 8.8 times and a median of approximately 8.2 times. The P/E Ratio of the Company implied by the Offer Price of approximately 23.2 times is higher than the maximum P/E Ratios of the Comparable Companies of approximately 12.9 times.

For the P/B Ratio, the P/B Ratios of the Comparable Companies ranged from approximately 0.3 times to approximately 1.4 times, with an average of approximately 0.9 times and a median of approximately 0.9 times. The P/B Ratio of the Company implied by the Offer Price and after deduction of the Special Dividend of approximately 6.5 times is higher than the maximum P/B Ratios of the Comparable Companies of approximately 1.4 times.

Having considered that (i) the P/E Ratio of the Company implied by the Offer Price of approximately 23.2 times is higher than the P/E Ratios of the Comparable Companies; (ii) the P/B Ratio of the Company implied by the Offer Price and after deduction of the Special Dividend of approximately 6.5 times is higher than all the P/B Ratios of the Comparable Companies, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

Based on the foregoing, having considered the aforementioned principal factors and reasons for the Offer, including that the Offer Price is lower than the closing prices of the Shares in most of the trading days during the Review Period, such that the Independent Shareholders may be able to sell their Shares in the open market at prices higher than the Offer Price, we noted, as a whole, that:

(i) the P/E Ratio of the Company as implied by the Offer Price is higher than P/E Ratios of the Comparable Companies and the P/B Ratio of the Company as implied by the Offer Price and after deduction of the Special Dividend is higher than the P/B Ratios of the Comparable Companies;

(ii) the profit for the year attributable to owners of the Company decreased significantly from approximately HK$26.4 million in the year ended 31 December 2024 to HK$9.5 million in the year ended 31 December 2025, and the loss attributable to the owners of the Company for the six months ended 30 June 2026 was HK$3.3 million as compared to a profit attributable to the owners of the Company of HK$12.9 million for the six months ended 30 June 2025, and the equity of the Company decreased by approximately HK$10.3 million or 7.6% from approximately HK$135.6 million as at 31 December 2024 to approximately HK$125.3 million as at 31 December 2025, and which demonstrates the weaken business performance of the Group;

(iii) in addition, it is noted that there is no assurance that dividends will be declared or paid in the future at a similar level in the recent years, as historical dividends are not indicative of the future dividends;

(iv) the prospects of the Group as discussed in the paragraphs headed "(B) Industry and outlook of the Group" in this letter showing the prospect of the Group remains challenging due to the weak consumer demand under the current economic environment;

(v) the overall thin historical daily trading volume of the Shares during the Review Period. The Independent Shareholders may find it difficult to dispose of a large volume of Shares in the open market at the quoted market price within a short period of time without exerting downward pressure on the Share price, as discussed in the section headed "Principal Factors and Reasons Considered - (F) Analysis on historical trading liquidity of the Shares" in this section above; and

(vi) the closing price of the Shares increased significantly during the Review Period and there was no reason to justify such increase and there is no guarantee that the prevailing level of market price of the Shares will sustain during and after the Offer Period,

we are of the view that the Offer is fair and reasonable so far as the Independent Shareholders are concerned based on overall principal factors and reasons for the Offer considered. Accordingly, we recommend the Independent Shareholders to accept the Offer.

We acknowledge that the Group's weaken financial performance, uncertain prospects and the historically low trading liquidity of the Shares do not, on a standalone basis, establish the fairness and reasonableness of the Offer Price. Nevertheless, these factors are relevant to the risks associated with retaining the Shares, the sustainability of the prevailing market prices and the practical ability of the Independent Shareholders, particularly those holding a large volume of Shares, to realise their investments at the quoted market prices.

Given the historically low trading liquidity of the Shares, the Offer provides the Independent Shareholders with an assured opportunity to realise all or part of their investments at a fixed cash price without being exposed to the execution risk, market price volatility and potential downward pressure on the Share price associated with an open-market disposal of a large volume of Shares.

Having considered the above factors as a whole, notwithstanding that the Offer Price compares unfavourably with the historical and prevailing market prices of the Shares, we consider that the Group's weaken financial position and uncertain prospects affect the sustainability of the prevailing market valuation and increase the risks associated with retaining the Shares. Together with the historically low trading liquidity of the Shares, the uncertainty as to whether the prevailing market price and trading volume will be sustained after the close of the Offer, the assured exit provided by the Offer, and the fact that the P/E Ratio of the Company as implied by the Offer Price is higher than P/E Ratios of the Comparable Companies and the P/B Ratio of the Company as implied by the Offer Price and after deduction of the Special Dividend is higher than the P/B Ratios of the Comparable Companies, these factors collectively support our view that the Offer is fair and reasonable.

Accordingly, we are of the view that the Offer (including the Offer Price) is fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to accept the Offer.

Nonetheless, Shareholders are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and, having regard to their own circumstances, consider selling their Shares in the open market instead of tendering their Shares under the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Offer and/or the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu	**Ben Leung**
Managing Director	*Director*

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 26 years of experience in corporate finance industry.

Mr. Ben Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over ten years of experience in corporate finance industry.

* *English name is for identification purposes only*

1. PROCEDURES FOR ACCEPTANCE

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, in an envelope marked "**SMC Electric Limited – Offer**" as soon as possible, so as to reach the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

(c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Share(s), the Form of Acceptance should nevertheless be completed, signed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed and signed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Share(s) in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) or evidence of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

(d) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to CLSA and/or the Offeror and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar together with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar, no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant document(s) as required under this paragraph have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) and/or transfer receipt(s) is/are not in your name, such other document(s) (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or

(ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(g) In Hong Kong, the seller's ad valorem stamp duty payable by the relevant Independent Shareholders in connection with the acceptance of the Offer at the rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) will be given.

2. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares are valid, complete and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholder in respect of the Offer Shares tendered by him/her/it under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save in respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

Cheque(s) not presented for payment within six (6) months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is unconditional.

(b) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

(c) In the event that the Offeror decides to extend the Offer, at least fourteen (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.

(d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

(e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. ANNOUNCEMENT

(a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or has expired.

Such announcement must state the total number of Shares and rights over Shares:

(i) for which acceptances of the Offer have been received;

(ii) held, controlled or directed by the Offeror or any Offeror Concert Parties before the Offer Period; and

(iii) acquired or agreed to be acquired by the Offeror or any Offeror Concert Parties during the Offer Period.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any Offeror Concert Parties has borrowed or lent, save for any borrowed securities which have been either on-lent or sold and the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code, shall be included.

(c) As required by the Takeovers Code and the Listing Rules, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.smcelectric.com.hk).

5. NOMINEE REGISTRATION

To ensure equality of treatment to all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "4. ANNOUNCEMENT" in this Appendix, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptances of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met.

In such case, when the Independent Shareholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) Business Days thereof, return the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholder(s) by ordinary post.

7. EFFECT OF ACCEPTANCE OF THE OFFER

For the avoidance of doubt, the Special Dividend was paid on 14 September 2026 to Shareholders whose names appeared on the register of members of the Company on 31 August 2026 (i.e. the Record Date). As at the Latest Practicable Date, except for the Special Dividend which was paid before the date of this Composite Document, the Company has not declared any dividend which has not yet been distributed and the Company confirms that it does not intend to declare, make or pay any dividend or other distributions prior to the Closing Date.

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all encumbrances together with all rights attached to them, including the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

8. OVERSEAS SHAREHOLDERS

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should fully observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions). As at the Latest Practicable Date, based on the record in the register of members of the Company, there were no Overseas Shareholders.

Acceptance of the Offer by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that all local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

9. TAXATION ADVICE

The receipt of cash pursuant to the Offer may be a taxable transaction in the jurisdiction in which the Independent Shareholders are located or registered under applicable tax laws. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, CITICS HK, CLSA, the Independent Financial Adviser and the Registrar, or any of their respective agents or advisers or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer. All Independent Shareholders and/or beneficial owners of the Shares shall be solely responsible for their liabilities (including tax liabilities) in relation to the Offer.

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer.

This Composite Document does not include any information in respect of overseas taxation. Independent Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares.

10. GENERAL

(a) All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror and Offeror Concert Parties, CITICS HK, CLSA, the Company, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities whatsoever which may arise as a result thereof.

(b) Acceptance of the Offer by any Independent Shareholder will constitute a warranty by such person to the Offeror, CITICS HK and CLSA that all Offer Shares to be sold by such person under the Offer are fully paid and free from all encumbrances and together with all rights attached to them, including the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made.

(c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror, CITICS HK and CLSA that the number of Offer Shares in respect of which it has indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.

(d) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable, except as permitted under the Takeovers Code.

(e) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(f) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(g) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(h) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or CLSA and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person has accepted the Offer.

(i) The Offer is made in accordance with the Takeovers Code.

(j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror, CITICS HK and/or CLSA knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

(k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the accompanying Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror and Offeror Concert Parties, CITICS HK, CLSA, the Company, the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.

(l) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

(m) References to the Offer in this Composite Document and the Form of Acceptance shall include any extension and/or revision thereof.

(n) In the event of any inconsistency, the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text.

(o) The Offeror has full discretion to determine matters relating to the Offer subject to applicable requirements under any applicable laws and regulations.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2025 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2026. The figures for each of the three years ended 31 December 2025 and the six months ended 30 June 2026 are extracted from the relevant published financial statements of the Group for the relevant years/period.

	For the six months ended 30 June	For the years ended 31 December		
	2026	**2025**	**2024**	**2023**
	HK$'000 (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	95,839	217,822	257,278	232,920
Cost of sales	(80,651)	(166,445)	(186,203)	(169,228)
Gross profit	15,188	51,377	71,075	63,692
Other income	2,513	7,795	6,976	7,201
Selling expenses	(709)	(1,770)	(1,778)	(1,581)
Administrative and other operating expenses	(19,902)	(46,186)	(45,182)	(44,986)
(Impairment loss)/Reversal of impairment loss on financial asset	–	(526)	131	64
Other (losses)/gains	(332)	868	(25)	257
Finance cost	(83)	(314)	(121)	(168)
Profit/(loss) before income tax	(3,325)	11,244	31,076	24,479
Income tax expense	(10)	(1,766)	(4,716)	(3,706)
Profit/(loss) for the year/period	(3,335)	9,478	26,360	20,773
Other comprehensive income/(expenses), that may be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of operations outside Hong Kong	982	289	(40)	(232)
Total comprehensive income/(expense) for the year/period	(2,353)	9,767	26,320	20,541

	For the six months ended 30 June	For the years ended 31 December		
	2026	**2025**	**2024**	**2023**
	HK$'000 (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year attributable to:				
Owners of the Company	(3,335)	9,478	26,360	20,773
Non-controlling interests	–	–	–	–
	(3,335)	9,478	26,360	20,773
Total comprehensive income/(expense) attributable to:				
Owners of the Company	(2,353)	9,767	26,320	20,541
Non-controlling interests	–	–	–	–
	(2,353)	9,767	26,320	20,541
	(HK cents)	*(HK cents)*	*(HK cents)*	*(HK cents)*
Profit/(loss) per share for loss attributable to owners of the Company				
Basic and diluted	(0.167)	0.474	1.318	1.039

Save as disclosed above, there was no item of any income or expense which was material in respect of the audited consolidated financial information of the Group for each of the three years ended 31 December 2025 and the unaudited consolidated financial information for the six months ended 30 June 2026.

On 25 August 2023, the Board declared an interim dividend of HK$0.005 per Share, amounting to approximately HK$10,000,000 in aggregate (the "**2023 Interim Dividend**"). The 2023 Interim Dividend was paid to the Shareholders on 28 September 2023.

On 25 March 2024, the Board declared a final dividend of HK$0.005 per Share, amounting to approximately HK$10,000,000 in aggregate for the year ended 31 December 2023 (the "**2023 Final Dividend**"). The 2023 Final Dividend was approved by the Shareholders at the annual general meeting held on 14 June 2024 and was paid on 17 July 2024.

On 27 August 2024, the Board declared an interim dividend of HK$0.005 per Share, amounting to approximately HK$10,000,000 in aggregate (the "**2024 Interim Dividend**"). The 2024 Interim Dividend was paid to the Shareholders on 26 September 2024.

On 24 March 2025, the Board declared a final dividend of HK$0.005 per Share, amounting to approximately HK$10,000,000 in aggregate for the year ended 31 December 2024 (the "**2024 Final Dividend**"). The 2024 Final Dividend was approved by the Shareholders at the annual general meeting held on 13 June 2025 and was paid on 16 July 2025.

On 22 August 2025, the Board declared an interim dividend of HK$0.005 per Share, amounting to approximately HK$10,000,000 in aggregate (the "**2025 Interim Dividend**"). The 2025 Interim Dividend was paid to the Shareholders on 26 September 2025.

On 26 March 2026, the Board declared a final dividend of HK$0.005 per Share, amounting to approximately HK$10,000,000 in aggregate for the year ended 31 December 2025 (the "**2025 Final Dividend**"). The 2025 Final Dividend was approved by the Shareholders at the annual general meeting held on 11 June 2026 and was paid to the Shareholders on 16 July 2026.

There was no payment of dividends for the six months ended 30 June 2026. Hence, dividends per Share for the six months ended 30 June 2026 was inapplicable.

On 13 August 2026, the Board recommended the declaration and payment of the Special Dividend of HK$0.04575 per Share in cash to the Shareholders whose names appeared on the register of members of the Company on the Record Date. The Special Dividend was paid to the Shareholders on 14 September 2026.

The auditor of the Company for the three years ended 31 December 2025 was BDO Limited, which did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for each of the three years ended 31 December 2025.

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer in this Composite Document the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in (i) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2026 (the "**2026 Interim Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the "**2025 Financial Statements**"); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "**2024 Financial Statements**"); and (iv) the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**2023 Financial Statements**"), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2026 Interim Financial Statements are set out from page 3 to page 16 in the interim report of the Company for the six months ended 30 June 2026 (the "**2026 Interim Report**") which was published on 8 September 2026. The 2026 Interim Report of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.smcelectric.com.hk), and is accessible via the following hyperlinks:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0908/2026090801023.pdf

The 2025 Financial Statements are set out from page 36 to page 81 in the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**") which was published on 24 April 2026. The 2025 Annual Report of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.smcelectric.com.hk), and is accessible via the following hyperlinks:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0424/2026042402036.pdf

The 2024 Financial Statements are set out from page 37 to page 82 in the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**") which was published on 28 April 2025. The 2024 Annual Report of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.smcelectric.com.hk), and is accessible via the following hyperlinks:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0428/2025042801948.pdf

The 2023 Financial Statements are set out from page 38 to page 85 in the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**") which was published on 25 April 2024. The 2023 Annual Report of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.smcelectric.com.hk), and is accessible via the following hyperlinks:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501464.pdf

INDEBTEDNESS

As at 30 June 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the total indebtedness of the Group amounted to approximately HK$2,835,000, and comprised of (i) lease liabilities of approximately HK$1,850,000 and (ii) amounts due to fellow subsidiaries of approximately HK$985,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at 30 June 2026, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.

MATERIAL CHANGE

The Directors confirm that, save and except for the following information, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

As set out in the interim report of the Company for the six months ended 30 June 2026,

(i) revenue from the Group's operations for the six months ended 30 June 2026 amounted to HK$95.8 million, representing a decrease of HK$34.2 million or 26.3% as compared to HK$130.0 million for the corresponding period in 2025. Such decrease was primarily attributable to the weakened market demand arising from the challenging economic environment, which led to a reduction in customer orders. In addition, the conflicts between the United States and Iran, which resulted in the temporary cessation of sales to the Middle East market. Moreover, certain new product originally scheduled for the first half of the year due to the updating of the product design resulted in the relevant delivery (and hence the revenue recognition) being deferred to the second half of the year;

(ii) the Group's gross profit for the six months ended 30 June 2026 amounted to HK$15.2 million, representing a decrease of HK$17.5 million as compared to HK$32.7 million for the corresponding period in 2025. The gross profit margin for the six months ended 30 June 2026 was 15.9%, representing a decrease of 9.3 percentage points compared to 25.2% for the corresponding period in 2025. The decrease in gross profit for the period was mainly attributable to the decrease in sales and increase in raw material costs of electric tools; and

(iii) loss attributable to the owners of the Company for the six months ended 30 June 2026 was HK$3.3 million as compared to a profit attributable to the owners of the Company of HK$12.9 million for the six months ended 30 June 2025. The turnaround from profit to loss was primarily attributable to a significant decline in gross profit as mentioned above.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror, Tinno Mobile and Tinno Technology jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group and the Seller), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

The Offeror confirms that, as at the Latest Practicable Date:

(a) save for the Sale Shares held by the Offeror and the Retained Shares held by the Seller and any Shares held by the CITICS HK group on behalf of its non-discretionary investment clients, none of the Offeror, the directors of the Offeror or the Offeror Concert Parties owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;

(b) save for the sale and acquisition of the Sale Shares under the Sale and Purchase Agreement and any dealings by CITICS HK group on behalf of its non-discretionary investment clients, none of the Offeror or the Offeror Concert Parties has dealt in the Shares, options, derivatives, warrants or other securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) during the Relevant Period;

(c) save for the Sale and Purchase Agreement, none of the Offeror and the Offeror Concert Parties had any arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person in relation to the shares of the Offeror or the Shares;

(d) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror or the Offeror Concert Parties on one hand and any person on the other hand;

(e) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror or the Offeror Concert Parties with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

(f) none of the Offeror or the Offeror Concert Parties has has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(g) save for the Retained Shares that are subject to the Lock-up Undertaking under the Sale and Purchase Agreement, none of the Offeror or the Offeror Concert Parties has received any irrevocable commitment to accept or reject the Offer;

(h) none of the Offeror or the Offeror Concert Parties has entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in the Company;

(i) other than the Consideration for the Sale Shares under the Sale and Purchase Agreement, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Seller or parties acting in concert with it in connection with the sale and purchase of the Sale Shares;

(j) save for the Sale and Purchase Agreement and the intended renewal of the Existing CT and CCT Agreements, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or the Offeror Concert Parties on one hand and the Seller or parties acting in concert with it on the other hand;

(k) save for the Sale and Purchase Agreement and the continuation of any pre-existing employment contracts between members of the Group and employees who are also Shareholders, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) the Offeror or the Offeror Concert Parties;

(l) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;

(m) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any Offeror Concert Parties and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offer; and

(n) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

3. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualifications of each of the experts which has given opinions or advices which are contained or referred to in this Composite Document:

Name	Qualification
CITICS HK	a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CLSA	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO

As at the Latest Practicable Date, each of CITICS HK and CLSA has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, advice and/or references to its name in the form and context in which it is included.

4. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
30 January 2026	0.199
27 February 2026	0.171
31 March 2026	0.136
30 April 2026	0.145
29 May 2026	0.240
30 June 2026	0.305
31 July 2026 (the Last Trading Day)	0.320
31 August 2026	0.222
11 September 2026 (the Latest Practicable Date)	0.360

During the Relevant Period:

(a) the highest closing price of the Shares quoted on the Stock Exchange was HK$0.395 per Share on 9 September 2026; and

(b) the lowest closing price of the Shares quoted on the Stock Exchange was HK$0.127 per Share on 23 March 2026.

5. MISCELLANEOUS

As at the Latest Practicable Date,

(a) The Offeror's registered office is situated at 25A, United Centre, 95 Queensway, Admiralty, Hong Kong. The sole director of the Offeror is Mr. Lin Zhendong;

(b) The Offeror is indirectly wholly owned by Tinno Mobile which is in turn owned as to 97.0149% by Tinno Technology (stock code: 400059.NQ, whose controlling shareholder is Winsang Technologies Limited (holding 45.1348% interest in Tinno Technology);

(c) The principal members of the Offeror's concert group are Tinno Mobile and Tinno Technology;

(d) The directors of Tinno Mobile are Mr. Lin Zhendong (Chairman), Mr. Liu Yang, Ms. Zhao Yan, Mr. Liu Jianyun and Mr. Lin Man Hung. Its registered office is situated at 27-001, South side of Tinno Mobile Headquarters Building, Tongfa South Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen, the PRC;

(e) The directors of Tinno Technology are Mr. Lin Man Hung (Chairman), Mr. Lin Zhendong, Ms. Zhao Yan, Mr. Lin Wentan, Mr. Liu Jianyun, Mr. Dou Zhiming, Mr. Qin Zhiguang and Mr. Li Biao Yin. Its registered office is situated at 5th Floor, Building B, Science and Technology Innovation Building, No. 9 Shaping Road, Guoxing Avenue, Lingang Economic Development Zone, Yibin City, Sichuan Province, China;

(f) The directors of Winsang Technologies Limited are Mr. Lin Man Hung, Ms. Lin Hom Siu and Mr. Chau Tin Yin;

(g) CITICS HK is the exclusive financial adviser to the Offeror and its registered office is situated at 18/F, One Pacific Place, 88 Queensway, Hong Kong;

(h) CLSA is the agent making the Offer on behalf of the Offeror and its registered office is situated at 18/F, One Pacific Place, 88 Queensway, Hong Kong;

(i) In the event of any inconsistency, the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text.

6. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on (i) the website of the SFC (http://www.sfc.hk) and (ii) the website of the Company (www.smcelectric.com.hk), from the Latest Practicable Date up to and including the Closing Date:

(a) the articles of association of the Offeror;

(b) the letters of written consent as referred to in the section headed "Qualification and Consent of Expert" in this appendix;

(c) the letter from CLSA, the text of which is set out on pages 11 to 24 of this Composite Document; and

(d) the Sale and Purchase Agreement.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and Offeror Concert Parties, but including the Seller) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the directors of the Offeror, Tinno Mobile and Tinno Technology) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised		*HK$*
5,000,000,000	Shares	50,000,000
Issued and fully paid up:		
2,000,000,000	Shares	20,000,000

All of the existing issued Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, save as disclosed above, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

The Company has not issued any Shares since 31 December 2025, the date to which the latest audited financial statements of the Company were made up.

3. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period: (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing Price per Share** *(HK$)*
30 January 2026	0.199
27 February 2026	0.171
31 March 2026	0.136
30 April 2026	0.145
29 May 2026	0.240
30 June 2026	0.305
31 July 2026 (the Last Trading Day)	0.320
31 August 2026	0.222
11 September 2026 (the Latest Practicable Date)	0.360

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.395 on 9 September 2026 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.127 on 23 March 2026.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix C3 to the Listing Rules (the "**Model Code**"); or (iv) which were required to be disclosed under the Takeovers Code were as follows.

Interest in the Shares

Name of Director/chief executive	Capacity/Nature of Interest	Number of shares held/ interested in the Company	% of the shareholding as at Latest Practicable Date
Mr. Yung	Interest in a controlled corporation *(Note)*	100,000,000	5.00%

Note: Mr. Yung holds the entire issued share capital of Red Dynasty Investments Limited ("**Red Dynasty**") which, in turn, holds 80.55% interest in Shell Electric Holdings Limited. Accordingly, Mr. Yung is deemed to be interested in the shares held by Shell Electric Holdings Limited by virtue of the SFO.

Interest in the shares of associated corporation

Name of Director/chief executive	Name of associated corporation	Capacity/ Nature of Interest	Number of shares in associated corporation	% of shareholding as at Latest Practicable Date
Mr. Yung	Shell Electric Holdings Limited	Interest in a controlled corporation (Note)	421,531,111	80.55%

Note: Shell Electric Holdings Limited is owned as to 80.55% by Red Dynasty. Red Dynasty is wholly owned by Mr. Yung. By virtue of the SFO, Mr. Yung is deemed to be interested in the shares of Shell Electric Holdings Limited held by Red Dynasty.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive or any of their respective associates has registered an interest or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital and recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Interest in the Shares

Name	Capacity/name	Total number of Shares and/or underlying Shares Interested	% in the issued share capital of the Company
深圳市天瓏移動技術有限公司 (Shenzhen Tinno Mobile Technology Co., Ltd.*)	Interest in a controlled corporation	1,400,000,000 *(Note 1)*	70%
天瓏科技集團股份有限公司 (Tinno Technology Group Co., Ltd.*)	Interest in a controlled corporation	1,400,000,000 *(Note 1)*	70%
Winsang Technologies Limited	Interest in a controlled corporation	1,400,000,000 *(Note 1)*	70%
Lin Man Hung	Interest in a controlled corporation	1,400,000,000 *(Note 1)*	70%
Chen Qiaoying	Interest of spouse	1,400,000,000 *(Note 2)*	70%
HKC (Holdings) Limited	Beneficial owner	180,090,000 *(Note 3)*	9%
Hesed Investments Limited	Interest in a controlled corporation	180,090,000 *(Note 3)*	9%
Creator Holdings Limited	Interest in a controlled corporation	180,090,000 *(Note 3)*	9%
Claudio Holdings Limited	Interest in a controlled corporation	180,090,000 *(Note 3)*	9%
Mr. Oei Kang, Eric	Interest in a controlled corporation	180,090,000 *(Note 3)*	9%
Ms. Oei Valonia Lau	Interest in a controlled corporation	180,090,000 (Note 3)	9%
Shell Electric Holdings Limited	Beneficial owner	100,000,000 *(Note 4)*	5%
Red Dynasty	Interest in a controlled corporation	100,000,000 *(Note 4)*	5%
Mr. Yung	Interest in a controlled corporation	100,000,000 *(Note 4)*	5%
Mrs. Yung	Interest of spouse	100,000,000 *(Note 5)*	5%

* *For identification purpose only*

Notes:

1 These shares are held by the Offeror, which is indirectly wholly owned by 深圳市天瓏移動技術有限公司 (Shenzhen Tinno Mobile Technology Co., Ltd.*) (i.e. Tinno Mobile), which is in turn owned as to 97.0149% by 天瓏科技集團股份有限公司 (Tinno Technology Group Co., Ltd.*) (stock code: 400059.NQ) (i.e. Tinno Technology). Tinno Technology is held as to 45.1348% by Winsang Technologies Limited which is in turn held as to 44.51% by Lin Man Hung ("**Mr. Lin**"). Accordingly, each of Tinno Mobile, Tinno Technology, Winsang Technologies Limited and Mr. Lin is deemed to be interested in the Shares held by the Offeror by virtue of the SFO.

2 Ms. Chen Qiaoying ("**Mrs. Lin**") is the spouse of Mr. Lin. By virtue of the SFO, Mrs. Lin is deemed to be interested in all the Shares in which Mr. Lin is deemed to be interested.

3 HKC (Holdings) Limited is wholly owned by Hesed Investments Limited, which in turn is indirectly wholly owned by Claudio Holdings Limited (via its wholly owned subsidiaries, Creator Holdings Limited and Genesis Capital Group Limited), a company wholly owned by Mr. Oei Kang, Eric and Ms. Oei Valonia Lau jointly.

4 Mr. Yung holds the entire issued share capital of Red Dynasty which, in turn, holds 80.55% interest in Shell Electric Holdings Limited. Accordingly, Mr. Yung is deemed to be interested in the Shares held by Shell Electric Holdings Limited by virtue of the SFO.

5 Ms. Vivian Hsu ("**Mrs. Yung**") is the spouse of Mr. Yung. By virtue of the SFO, Mrs. Yung is deemed to be interested in all the Shares in which Mr. Yung is deemed to be interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of any member of the Group, or in any options in respect of such share capital and recorded in the register kept by the Company pursuant to section 336 of the SFO.

* *For identification purpose only*

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES

(a) During the Relevant Period and up to the Latest Practicable Date,

(i) save for the sale of the Sale Shares, none of the Directors had dealt for value in, any Shares or any securities, convertible securities, warrants, options, or derivatives in respect of any Shares or securities of the Company; and

(ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;

(b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of members of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) during the Offer Period and up to the Latest Practicable Date;

(c) save for the Sale and Purchase Agreement, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the Latest Practicable Date;

(d) none of the Company nor any Director had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

(e) save as disclosed in the section headed "4. Disclosure of Interest" in this appendix, none of the Directors beneficially owned any Shares and accordingly none of them is entitled to the Offer;

(f) save as disclosed in the section headed "4. Disclosure of Interest" in this appendix, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer;

(g) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and

(h) save for the Sale and Purchase Agreement and the intended renewal of the Existing CT and CCT Agreements, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder on the one hand, and (2) the Company, its subsidiaries or associated companies on the other hand.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

(a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(b) save for the Retained Shares that are subject to the Lock-up Undertaking under the Sale and Purchase Agreement, no agreement or arrangement was entered into between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(c) save for the Sale and Purchase Agreement, no material contract was entered into by the Offeror in which any Director had a material personal interests .

7. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any service contracts with any members of the Group in force which: (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the members of the Group had not entered into any material contracts (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) within two years before the commencement of the Offer Period and up to and including the Latest Practicable Date, which is or may be material.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against any member of the Group.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the name and qualification of the expert who has given a letter, report, opinion or advice, which is contained in this Composite Document:

Name	Qualification
Red Sun Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

The expert above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, report or advice (as the case may be) and/or references to its name included herein in the form and context in which they respectively appear.

11. GENERAL

(a) The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(b) The principal place of business in Hong Kong of the Company is 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.

(c) As at the Latest Practicable Date, the executive Directors are Mr. Leung Chun Wah, Mr. Tang Che Yin and Mr. Chow Kai Chiu David; the non-executive Directors are Mr. Yung Kwok Kee Billy and Ms. Li Pik Mui Cindy; and the independent non-executive Directors are Mr. Leung Man Chiu Lawrence, Mr. Poon Chak Sang Plato and Mr. Ho Chi Sing Spencer.

(d) The company secretary of the Company is Ms. Lee Ka Man.

(e) The Hong Kong branch share registrar of the Company is Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

(f) The registered office of Red Sun Capital Limited, the Independent Financial Adviser, is at Room 2703, 27/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

(g) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE ON DISPLAY

In addition to the documents relating to the Offeror as set out in the paragraph headed "6. Documents available on display" in Appendix III to this Composite Document, copies of the following documents are available on display (i) on the website of the Company (http://www.smcelectric.com.hk) and (ii) on the website of the SFC (www.sfc.hk) from the Latest Practicable Date up to and including the Closing Date:

(a) the third amended and restated memorandum and articles of association of the Company;

(b) the 2024 Annual Report, the 2025 Annual Report and the 2026 Interim Report;

(c) the "Letter from the Board", the text of which is set out on pages 25 to 36 of this Composite Document;

(d) the "Letter from the Independent Board Committee", the text of which is set out on pages 37 to 38 of this Composite Document;

(e) the "Letter from the Independent Financial Adviser", the text of which is set out on pages 39 to 68 of this Composite Document;

(f) the letter of consent referred to in the paragraph headed "10. Qualification and Consent of Expert" in this Appendix; and

(g) this Composite Document and the accompanying Form of Acceptance.