CITIC SECURITIES

15 September 2026

18/F, One Pacific Place
88 Queensway
Hong Kong

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