红日资本有限公司
RED SUN CAPITAL LIMITED

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.

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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 31 December		As at 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

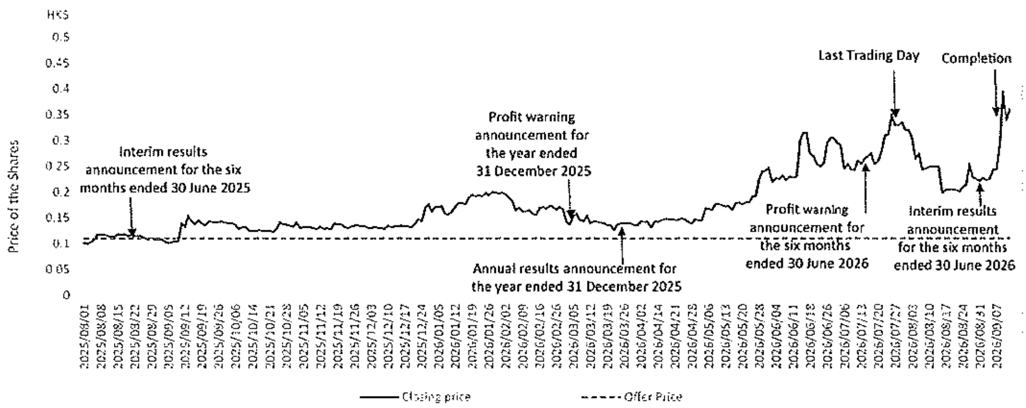
During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.395 per Share on 9 September 2026 and HK$0.127 per Share on 23 March 2026, respectively.

(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*