Ignite Capital

Unit A, 15th Floor, CMA Building
64–66 Connaught Road Central
Central, Hong Kong

21 August 2026

To: The Independent Board Committee and the Independent Shareholders of Contel Technology Company Limited

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
DL SECURITIES (HK) LIMITED
FOR AND ON BEHALF OF
ZHUANGYAN INVESTMENT INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
OF CONTEL TECHNOLOGY COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We, Ignite Capital (Asia Pacific) Limited ("**Ignite Capital**"), refer to our appointment by the Company to advise the Independent Board Committee and 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**") contained in the Composite Document dated 21 August 2026, of which this letter (the "**Letter**") forms part. Capitalised terms used in this Letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Rule 3.5 Announcement of the Company in relation to, amongst others, the Offer. On 5 May 2026 (before trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 271,230,595 Subscription Shares at the Subscription Price of HK$0.365 per Subscription Share. On 8 June 2026, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed to procure on a best effort basis not less than six placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties to subscribe 58,205,000 Placing Shares at the Placing Price of HK$0.365 per Placing Share. The Subscription Completion and the Placing Completion took place simultaneously on 29 July 2026. Immediately upon the Subscription Completion and the Placing Completion and as at the Latest Practicable Date, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them are interested in 271,230,595 Shares, representing approximately 58.81% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, upon the Subscription Completion, the Offeror is required to make an unconditional mandatory cash offer to acquire all of the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). DL Securities is making the Offer for and on behalf of the Offeror and in compliance with the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising Mr. Dan Kun Lei, Raymond, Mr. Chan Kwok Kuen Kenneth and Mr. Lai Man Shun being all the independent non-executive Directors, has been established to consider and to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

We, Ignite Capital, have been appointed as the independent financial adviser to the Independent Board Committee and 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. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, Ignite Capital did not have any relationships or interests in the Company, the Offeror or financial or other professional adviser to the Offeror and to the Company that could reasonably be regarded as relevant to the independence of Ignite Capital. During the past two years immediately preceding the Rule 3.5 Announcement and up to the Latest Practicable Date, we have not entered into any engagement with the Company, the Company's substantial shareholder together with its concert parties, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them or any of their respective subsidiaries or associates. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we have or will receive any fees or benefits from the Group, the

Offeror and its ultimate beneficial owner, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Offer.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the Company's annual report for the fifteen months ended 31 March 2025 ("**FY2025**") (the "**2025 Annual Report**");

(ii) the Company's annual report for the year ended 31 March 2026 ("**FY2026**") (the "**2026 Annual Report**");

(iii) the Rule 3.5 Announcement; and

(iv) other information as set out in the Composite Document.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Composite Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to the Closing Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Composite Document, the omission of which makes any such statement contained in the Composite Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Independent Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in the Composite Document in accordance with Rule 9.1 of the Takeovers Code before close of the Offer, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors (except the Offeror)) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

This Letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the 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 arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Business profile

The Group is principally engaged in the provision of customised reference designs which are bundled together with the sale of integrated circuits (the "**IC**") and other electronic components as a package to customers in both Hong Kong and the PRC. According to the 2026 Annual Report, all the Group's revenue from external customers is presented based on the location of the operating subsidiaries for the purpose of geographical segment information. Accordingly, the Group's revenue generated from external customers in Hong Kong and the PRC represented approximately 96.6% and approximately 3.4% of the total revenue, respectively, for FY2026. As advised by the Management, while the Group primarily generated revenue from its subsidiaries located in Hong Kong, the products of the Group are mainly supplied to its customers based in the PRC and these customers ultimately sell the products to end-customers in the PRC.

1.2 Financial information

The following table is a summary of (i) the financial information of the Group for FY2026 as extracted from the 2026 Annual Report; (ii) the financial information of the Group for the fifteen months ended 31 March 2025 ("**15M2025**") and for the year ended 31 December 2023 ("**FY2023**") as extracted from the 2025 Annual Report; and (iii) the financial information of the Group for 15M2025 which are adjusted on an annualized basis for illustrative purpose only:

Table 1: Highlights of the financial results of the Group

	FY2026	**15M2025** *(Notes 1 and 2)*	**15M2025 presented on an annualized basis ("Annualized FY2025")** *(Note 3)*	**FY2023**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(audited)	(audited)	(unaudited)	(audited)
Revenue	**51,329**	**76,963**	**61,570**	**66,316**
— *Sales of Mobile devices and smart charging IC products (the "**IC Business**")*	*30,756*	*44,231*	*35,385*	*32,271*
— *Sales of motor control*	*19,001*	*29,253*	*23,402*	*26,612*
Gross profit	*866*	*2,072*	*1,658*	*2,934*
Loss attributable to the owners of the Company	**(13,823)**	**(12,134)**	**(9,707)**	**(9,749)**

Notes:

1. As disclosed in the Company's announcement dated 8 November 2024, the Board resolved to change the financial year end date of the Company from 31 December to 31 March (the "**Year-end Change**"). Accordingly, the then next financial year end date of the Company following the change would be 31 March 2025 and the then next audited consolidated financial statements of the Group published covered the period of fifteen months commencing on 1 January 2024 and ended on 31 March 2025.

2. Comparison of financial information should be interpreted with caution as FY2023 and FY2026 covered a 12-month period whereas 15M2025 covered a 15-month period.

3. For illustrative purposes only, the figures presented in this column for the fifteen months ended 31 March 2025 are adjusted on an annualized basis, i.e. the figures were divided by 15 and then multiplied by 12 to arrive at 12-month adjusted figures for comparison with the other 12-month financial years.

FY2026 vs 15M2025

The Group's results were challenged by the contraction in industry demand in 2025 and the first quarter of 2026. The Group recorded revenue of approximately US$51.3 million for FY2026, representing an as-reported decrease of US$25.7 million or approximately 33.4% compared to approximately US$77.0 million recorded during 15M2025. However, excluding the impact of the Year-end Change, the revenue decreased by approximately US$10.2 million or approximately 16.6% (on a time pro-rata basis) for Annualized FY2025, which is lower than the as-reported fluctuation rate. The decrease in revenue was mainly attributable to the decrease in the revenue from the IC Business by approximately 30.3% (on a time pro-rata basis: 13.0%) from approximately US$44.2 million for 15M2025 (Annualized FY2025: US$35.4 million) to approximately US$30.8 million for FY2026, which was mainly due to the decrease in sales volume and average selling price in order to expedite the inventory turnover. Furthermore, the revenue from the sale of motor control IC products decreased by approximately 35.2% (on a time pro-rata basis: 18.8%) from approximately US$29.3 million for 15M2025 (Annualized FY2025: US$23.4 million) to approximately US$19.0 million for FY2026, which was mainly due to the decrease in average selling price. According to the 2026 Annual Report, the Company lowered the average selling price of motor control and IC products so as to increase the inventory turnover and therefore the gross profit decreased by approximately 57.1% (on a time pro-rata basis: 47.1%) from approximately US$2.1 million for 15M2025 (Annualized FY2025: US$1.7 million) to approximately US$0.9 million for FY2026. According to the 2026 Annual Report, this transition is primarily due to a deliberate strategic decision by management to alleviate cash flow burdens by prioritizing and concentrating the financial resources into the IC Business. Therefore, the Group ceased business relationships with some of the suppliers in view of the Group's liquidity and financial situation, and the lean gross profit margin of products from certain suppliers. As a result, the loss attributable to the owners of the Company increased by approximately US$1.7 million or approximately 13.9% for FY2026. However, excluding the impact of the Year-end Change, the loss attributable to the owners of the Company for Annualized FY2025 recorded an increase of approximately US$4.1 million or approximately 42.3% (on a time pro-rata basis), which is higher than the as-reported fluctuation rate. With reference to the 2025 Annual Report and as confirmed by the Management, the loss was primarily attributable to (i) the decrease in revenue as mentioned above; (ii) the write-off of prepayments to the suppliers of approximately US$389,000 as the Group ceased business relationship with the suppliers and the prepayments were forfeited; and (iii) write-off of accrued purchase rebates of approximately US$1.4 million as the Group ceased business relationship with the suppliers and the accrued purchase rebates were considered not recoverable.

15M2025 vs FY2023

The Group's total revenue increased by approximately US$10.7 million or 16.1% (on an as-reported basis) from approximately US$66.3 million for FY2023 to approximately US$77.0 million for 15M2025. However, excluding the impact of the Year-end Changes, the total revenue decreased by approximately US$4.7 million or approximately 7.1% (on a time pro-rata basis) as the Group experienced a decline in revenue from all product categories except mobile devices and smart charging IC products. According to the 2025 Annual Report, the IC industry navigated a uniquely challenging economic environment, a period characterized by significant shifts and increased competitive intensity. The gross profit decreased by approximately US$0.8 million or 27.6% (on a time pro-rata basis: 41.4%) from approximately US$2.9 million for FY2023 to approximately US$2.1 million for 15M2025 (Annualized FY2025: US$1.7 million), which was mainly due to (i) the decrease in the average selling price; and (ii) write off of inventories of approximately US$0.2 million following auditor's the annual assessment. As a result, the loss attributable to the owners of the Company increased by approximately 24.7% from approximately US$9.7 million for FY2023 to approximately US$12.1 million for 15M2025. By excluding the impact of the Year-end Change, the loss attributable to the owners of the Company of approximately US$9.7 million for Annualized FY2025 approximates to that for FY2023, with a decrease of approximately 0.43%.

Due to the Year-end Change, a longer transitional period of 15-month year occurs and the figures are not fully comparable with previous or subsequent 12-month periods. To maintain comparability, we annualized the financial results scaling actual 15-month figures proportionally to a 12-month basis and noted that, after adjusting for the Year-end Change, (i) the decline in revenue for FY2026 was moderated to approximately 16.6%, whereas the increase in loss attributable to owners of the Company widened to approximately 42.3% on an annualized basis; and (ii) the loss attributable to the owners of the Company for Annualized FY2025 approximates to that for FY2023. However, it represents an estimate of what the full year results might have under normal circumstances and such annualization has limitation on financial analysis such as the impact of significant events.

1.3 Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 March 2026, 31 March 2025 and 31 December 2023, as extracted from the 2026 Annual Report and the 2025 Annual Report:

Table 2: Highlights of financial positions of the Group

	As at 31 March 2026 *US$'000* (Audited)	As at 31 March 2025 *US$'000* (Audited)	As at 31 December 2023 *US$'000* (Audited and re-presented)
Non-current assets, including:	**3,158**	**10,059**	**11,046**
— *Intangible and other assets (including goodwill and development costs)*	*Nil*	*2,863*	*3,491*
— *Life insurance policy deposits*	*319*	*2,543*	*2,734*
— *Financial assets at fair value through other comprehensive income*	*2,839*	*3,723*	*4,255*
Current assets, including:	**9,334**	**31,997**	**43,143**
— *Inventories*	*1,050*	*6,662*	*14,007*
— *Trade and bill receivables*	*4,163*	*13,860*	*19,047*
— *Prepayments, deposits and other receivable*	*3,047*	*7,388*	*7,148*
— *Cash and cash equivalents*	*1,048*	*3,682*	*2,536*
Total Assets	**12,492**	**42,056**	**54,189**
Non-current liabilities	**1,403**	**2,976**	**415**
Current liabilities, including:	**13,144**	**27,774**	**31,177**
— *Trade payables*	*3,728*	*6,097*	*7,641*
— *Bank and other borrowings*	*8,912*	*18,273*	*20,565*
Total Liabilities	**14,547**	**30,750**	**31,592**
Net current assets/(liabilities)	**(3,810)**	**4,223**	**11,966**

31 March 2026 vs 31 March 2025

The Group's overall financial position has deteriorated significantly as a result of its continuous loss-making status. As at 31 March 2026, the Group's total assets and total liabilities were approximately US$12.5 million and approximately US$14.5 million, respectively, as compared to approximately US$42.1 million and approximately US$30.8 million as at 31 March

2025. This represented a decrease in total assets of approximately 70.3% and a decrease in total liabilities of approximately 52.9%. The significant decrease in non-current assets from approximately US$10.1 million as at 31 March 2025 to approximately US$3.2 million or approximately 68.3% was due to the decrease in intangible and other assets, which were written down to nil to reflect the going concern uncertainty, as a result of the impairment and disposal of subsidiaries. The Group was in a net current assets position of approximately US$4.2 million as at 31 March 2025 but turned into a net current liabilities position of approximately US$3.8 million as at 31 March 2026. With reference to the 2026 Annual Report, such deterioration was mainly attributable to the significant decrease in current assets primarily due to (i) decrease in inventories as a result of significant decrease in inventory turnover days and certain inventories were written down; (ii) decrease in trade receivables, prepayments, deposits and other receivables as a result of the substantial write-off of prepayments and the net loss recorded by the Group during FY2026; and (iii) decrease in cash and cash equivalents of approximately US$2.6 million.

31 March 2025 vs 31 December 2023

As at 31 March 2025, the Group's total assets and total liabilities were approximately US$42.1 million and approximately US$30.8 million, respectively, as compared to approximately US$54.2 million and approximately US$31.6 million as at 31 December 2023. This represented a decrease in total assets of approximately 22.3% and a decrease in total liabilities of approximately 2.5%. The Group recorded net current assets of approximately US$4.2 million as at 31 March 2025, as compared to that of approximately US$12.0 million as at 31 December 2023, representing a decrease of approximately 65%. Such deterioration was mainly attributable to the significant decrease in current assets, including, (i) the decrease in inventories by approximately 52.1% from US$14.0 million as at 31 December 2023 to US$6.7 million as at 31 March 2025 as a result of the Company's strategy to expedite the inventory turnover by lowering the average selling price (inventory turnover days decreased significantly from approximately 80.7 days for FY2023 to approximately 40.6 days for 15M2025 on an annualised basis) and write-down of inventories of approximately US$0.7 million as the Management reviewed the inventory aging analysis at the end of reporting period and identified for slow-moving inventory that are no longer suitable for consumption and saleable; and (ii) decrease in trade and bills receivables as a result of the loss recorded by the Group during FY2023.

Matters relating to the auditor's opinion

According to the annual results of the Company for the year ended 31 March 2026, Moore CPA Limited ("**Moore**"), the auditor of the Company, pointed out that (i) the Group incurred a net loss of approximately US$13.8 million for the year ended 31 March 2026; (ii) the Group had net current liabilities and net liabilities of approximately US$3.8 million and US$2.1 million respectively as at 31 March 2026; (iii) the Group had bank and other borrowings under current liabilities of approximately US$8.9 million while its cash and cash equivalents were approximately US$1.0 million only as at 31 March 2026; (iv) as at 31 March 2026, the balance included two (2025: three) loans from independent third parties with the carrying amounts of approximately US$1.3 million and US$7.5 million (2025: US$2.4 million, US$1.8 million and US$64,000), respectively which were unsecured with fixed monthly interest rates at 0.5% and 3% (2025: 2.5%, 2.5% and 1%), respectively and repayable on demand; (v) on 12 March 2026, the Company received a statutory demand from the legal advisers acting on behalf of Ms. Tse Hoi Ching (the "**Creditor**"), being a creditor of the Company, issued pursuant to section 178(1)(a) or 327(4) (a) of The Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), demanding the Company to pay the aggregate amount of approximately US$7.5 million, being the loan principal and interest due by the Company, within 21 days from the service of the statutory demand, failing which the Creditor may present a winding-up petition against the Company (Details refer to the announcement made by the Company on 12 March 2026). Moore was of the view that these events or conditions indicated a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Their opinion was not modified in respect of this matter. Nevertheless, having considered the management's plans and certain measures as stated in the 2026 Annual Report, the Directors were of the opinion that the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the next twelve months immediately after 31 March 2026. According to the Management, the Company will settle the debts due by the Company to the Creditor by end of 2026 using the proceeds of the Subscription and the Placing (Details refer to the Company's announcement dated 8 June 2026).

Analysis

Based on the above, we note that the Company is facing pressure on its working capital and liquidity position. Although the Directors considered that the Group would be able to meet its working capital and financial requirements for at least twelve months after 31 March 2026 after taking into account the relevant measures and arrangements, the existence of material uncertainty related to going concern, the Group's net current liabilities position and its continued loss-making position indicate that the Group's financial position remained weak. It remains uncertain whether the Group can achieve a turnaround in its operating results and improve its financial position.

1.4 Prospects of the Group

To assess the operating environment of the Group's principal business, namely the IC Business, we have reviewed relevant market data and policy developments relating to the IC industry in the PRC. As advised by the Management, the products of the Group are mainly supplied to end-customers in the PRC. On this basis, we have primarily made reference to the relevant import value and market size of IC in the PRC as well as the policy development in the PRC in assessing the business environment in which the Group is operating.

Set out below are the import value of IC in the PRC for the five years ended 31 December 2025, as extracted from the Statistical Communique of the PRC on the National Economic and Social Development published by the National Bureau of Statistics of the PRC on 28 February 2022, 28 February 2023, 28 February 2024, 28 February 2025 and 28 February 2026:

	2021	**2022**	**2023**	**2024**	**2025**
Import Value of IC in the PRC *(in RMB billion)*	2,793.5	2,766.3	2,459.1	2,744.5	3,035.5
Year-on-year change (%)		*(1.0)*	*(11.1)*	*11.6*	*10.6*

We consider the import value of ICs to be a highly relevant indicator for assessing the Group's prospects. As advised by the Management, increasing import values reflect a greater inflow of ICs into the PRC market which indicates an increasing demand for the Group's IC products in the PRC market.

As illustrated in the table above, the import value of IC fluctuated over the period, decreasing from approximately RMB2,793.5 billion in 2021 to approximately RMB2,459.1 billion in 2023. Nevertheless, the import value of IC recovered with a growth rate of approximately 11.6% and approximately 10.6% in 2024 and 2025 respectively. The steady increase in import values observed throughout 2024 and 2025 is indicative of sustained growth in domestic demand for IC products. Overall, the import value increased from approximately RMB2,793.5 billion in 2021 to approximately RMB3,035.5 billion in 2025, representing a compound annual growth rate of approximately 2.1%. Given that the Group is engaged in the sourcing and distribution of IC products, it is expected to benefit from such rising demand.

We also noted that the PRC government issued various favorable government policies in recent years to support the development of the IC industry in the PRC. The nation continues to demonstrate its strong commitment to advancing the domestic semiconductor industry, of which the IC segment is considered a key downstream component in the semiconductor industry. According to the "National Enterprise Credit Information Publicity System"* (國家企業信用信息公示系統) (based on its website, National Enterprise Credit Information Publicity System is a government-managed platform that serves as a centralized registry for all legally registered businesses in the PRC), National Integrated Circuit Industry Investment Fund Phase III Co., Ltd.* (國家集成電路產業投資基金三期股份有限公司) (the "**Big Fund III**") was established on 24 May 2024 to support domestic chip manufacturing equipment developers. The Big Fund III is a state-owned company backed by the Ministry of Finance and major state banks with a registered capital of RMB344 billion. The Big Fund III focuses on segments where domestic capabilities are weakest and where reliance on foreign technology is most acute, aiming to achieve self-sufficiency in the PRC's semiconductor supply chain. We consider that such support will create opportunities for the Company, as an IC distributor in the semiconductor industry, to increase its sales to the domestic chip manufacturing equipment developers.

With reference to the "15th Five-Year Plan (2026–2030) for National Economic and Social Development of the PRC"* (中華人民共和國國民經濟和社會發展第十五個五年規劃) published on 12 March 2026, the PRC government had announced a number of policies to support the innovation and development of technology in emerging fields (including IC). These include funding approaches such as prize-based and ex-post subsidization, refining systems such as "open competition for key projects" and "race-track" selection, and strengthening cross-domain and cross-disciplinary collaboration. With the support from the PRC government, technology breakthroughs and applications in computing-storage integration, 3D integration, and photonic-electronic convergence are expected to be advanced in the near future which can potentially drive up the demand for ICs.

Furthermore, in assessing the prospects of the IC market, we made reference to market information on the interface integrated circuit ("**Interface IC**") market in the PRC published by Data Bridge Market Research ("**DBMR**") on its database available as at the Latest Practicable Date, as Interface IC represents one of the product categories within the broader IC industry. According to its website, DBMR is a market research and consulting company founded in 2015 and headquartered in India. It provides a broad range of market research and consulting services, including trade analytics, country-level analysis and pharmaceutical market insights, with its research coverage spanning more than 200 industries across over 5,000 markets. Its research and consulting capabilities are supported by more than 500 full-time analysts, and its services have been used by more than 40% of Fortune 500 companies internationally. Therefore, we consider that DBMR is a reliable source that can provide a reasonable basis for our analysis.

According to DBMR, the market size of the global Interface IC market in the PRC was approximately US$3.2 billion in 2025, among which Asia Pacific dominated the market with the largest revenue share of approximately 41.9% in 2025. In addition, the Interface IC market in the PRC is experiencing rapid growth, underpinned by the expansion of electronics manufacturing, increasing investment in the semiconductor industry and rising demand for advanced communication technologies. In particular, the increasing adoption of electric vehicles, artificial intelligence systems, smart devices and industrial automation is expected to support demand for Interface IC products in the PRC, including controller area network, ethernet, universal serial bus and other high-speed communication interfaces.

The Management believes that the Group could capture opportunities given the positive outlook for the IC industry in the PRC. According to the 2026 Annual Report, the Group, as the authorized distributors of IC suppliers, has privilege of receiving regular first-hand training from its IC suppliers on their latest products which helps to increase the Company's familiarity and knowledge of the IC products, and therefore enhance the Group's capabilities when providing IC application solutions for its customers. The Management believes that such privilege would allow them to be competitive within the industry.

Having considered the aforesaid, we are of the view that the prospects of the Group's business are generally positive.

2. Information on the Offeror and its intention regarding the Group

(i) Information on the Offeror

As stated in the "Letter from DL Securities" contained in the Composite Document, the Offeror is a company incorporated in the BVI with limited liability on 6 March 2026 and is an investment holding company. Mr. Zhuang is the sole legal and beneficial shareholder and the sole director of the Offeror.

Mr. Zhuang is an experienced businessman with more than 10 years of experience in the consumer electronics industry. He currently owns and operates different companies which are principally engaged in the import and export trade, as well as the wholesale and retail, of consumer electronics IC components and semiconductor modules, mainly in the PRC and other Asia-Pacific countries. Over the past decade, Mr. Zhuang has developed strong expertise in supply chain management, cross-border logistics, quality control, and customer relationship management. Given Mr. Zhuang's background, experience and network in the consumer electronics industry, we consider that he has solid experience in the wholesale and retail of consumer electronics IC components and semiconductor modules. The Offeror should be familiar with the strategies, standards and requirements of the Group's business and capable of maintaining the business connection with the Group's existing customers and suppliers. The Offeror would be able to provide valuable complementary expertise, resources and customer networks to enhance the Group's existing operations.

(ii) Intention of the Offeror regarding the Group

(a) Business

As stated in the "Letter from DL Securities" contained in the Composite Document, it is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Stock Exchange.

The Offeror intends to leverage its experience, business network and financial resources to support the Group's continued development, improve its operational and financial performance, and strengthen its competitiveness. Following the close of the Offer, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

Based on the information of Mr. Zhuang as set out above, it is expected that Mr. Zhuang's experience in the consumer electronics IC components and semiconductor modules sector in the PRC and other Asia-Pacific countries and his past responsibilities to source potential investment opportunities and provision of strategic guidance, will bring in a positive impact and benefit to the business operations of the Group. His solid track record in the wholesale and retail of consumer electronics IC components and semiconductor modules, coupled with his extensive industry network and operational expertise, would position the Offeror, of which Mr. Zhuang is the ultimate beneficial owner, to contribute strategically to the Group's ongoing development. The Offeror's familiarity with the Group's business strategies, standards, and requirements, as well as its established relationships with key customers and suppliers in the sector, would enable it to maintain and strengthen the Group's existing commercial connections. Through the Offeror and the appointment of new directors to the Company, Mr. Zhuang would be able to provide valuable complementary expertise, industry resources, and access to customer and supply chain networks, thereby enhancing the Group's operational capabilities and supporting its long-term growth objectives. Save for the Offeror's intention regarding the Group as set out above, subject to the review of the Group's operation aforesaid, the Offeror has no intention to (i) make material changes to the employment of the management and employees of the Group (save as disclosed in the section headed "(b) Board composition" below in this Letter); and (ii) dispose of or redeploy the assets of the Group other than those in its ordinary and usual course of business. Nonetheless, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the benefit of the Group.

Even though Mr. Zhuang does not serve on the Board, we are of the view that such arrangement (i) allows the Company to maintain a professional and appropriately independent Board with complementary expertise; and (ii) supports an appropriate balance between shareholder oversight and Board independence.

(b) Board composition

As stated in the "Letter from DL Securities" in the Composite Document, all existing Directors will resign with effect from after the publication of the closing announcement on the Closing Date (being the earliest date as permitted under Rule 7 of the Takeovers Code). As at the Latest Practicable Date, the Offeror intended to nominate Mr. Chong Ka Yee and Mr. Lee Byungduck as executive Directors, and Mr. Tseung Yuk Hei, Kenneth, Ms. Lu Zhuo and Mr. Li Wei as independent non-executive Directors with effect from after the Composite Document is posted (being the earliest date as permitted under Rule 26.4 of the Takeovers Code). Details of the biographical information of the new candidates intended to be nominated by the Offeror as Directors are set out in the "Letter from DL Securities". We have reviewed the biographical information of the proposed Directors nominated by the Offeror which details are set out in the Letter from DL Securities and we consider that (i) Mr. Chong has extensive experience in investment banking industry which the Company may benefit from his extensive financial and management experience as the Group is currently under difficult financial conditions in view of its high debt level; and (ii) Mr. Lee has management experience over the years and has been involved in investment with a focus on the semiconductor and technology industry from which the Company may benefit given his experience and network in the semiconductor and technology focused investment areas which are relevant or can materially contribute to the Group's current principal business and enable the Group to broaden its client network, enhance its competitiveness and capture future business opportunities. Any changes to the Board will be made in compliance with the Takeovers Code, the Listing Rules and the articles of association of the Company, and a separate announcement will be made in this regard in accordance with the Listing Rules as and when appropriate.

(c) Maintenance of the Company's listing status

As stated in the "Letter from DL Securities" in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange following the close of the Offer. The sole director of the Offeror and all the then Directors have jointly and severally undertaken to the Stock Exchange that if, at the close of the Offer, the Company fails to comply with the minimum prescribed public float under Rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the Company's compliance with Rule 13.32B of the Listing Rules at the earliest possible moment after the close of the Offer. The steps that the Offeror may take include but are not limited to placing down or selling sufficient number of accepted Shares it acquired from the Offer to the Independent Third Parties or in the market.

3. Evaluation of the key terms of the Offer

3.1 Share price comparisons

The Offer Price of HK$0.365 per Offer Share represents:

(i) a discount of approximately 34.82% to the closing price of HK$0.560 per Share as quoted on the Stock Exchange on 4 May 2026, being the Last Trading Day;

(ii) a discount of approximately 22.83% to the average closing price of approximately HK$0.473 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 16.09% to the average closing price of approximately HK$0.435 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 6.17% to the average closing price of approximately HK$0.389 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;

(v) a premium of approximately 17.36% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately US$0.040 (equivalent to HK$0.311) per Share (based on the number of issued Shares as at the date of Rule 3.5 Announcement, being 131,774,238 Shares) as at 30 September 2025 calculated based on the information as set out in the Company's interim report for the six months ended 30 September 2025;

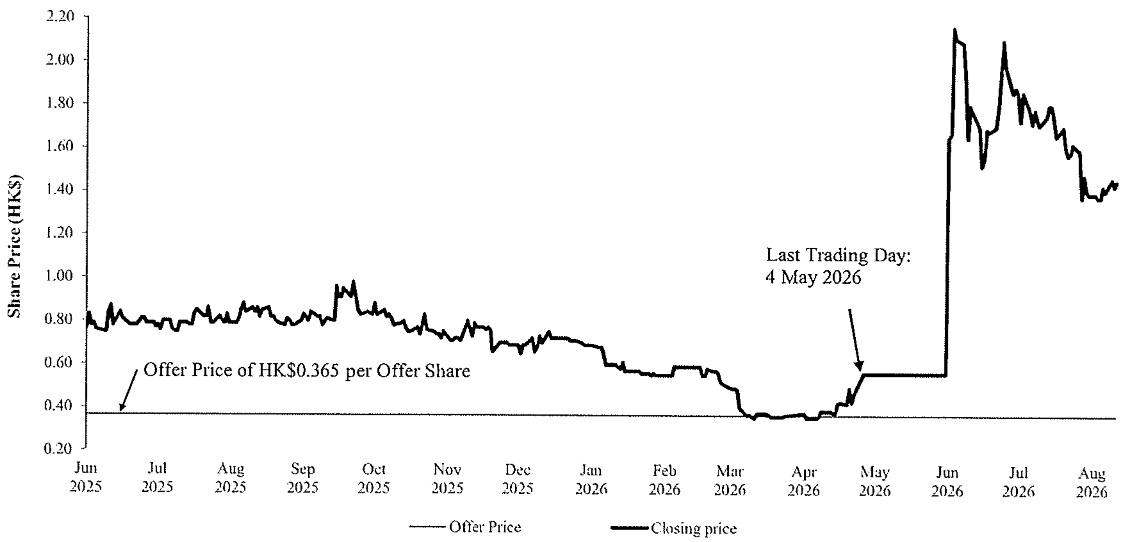
(vi) a premium of HK$0.487 over the audited consolidated net liabilities value attributable to the owners of the Company of approximately US$0.016 (equivalent to approximately HK$0.122) per Share (based on the number of issued Shares as at the date of the Rule 3.5 Announcement, being 131,774,238 Shares) as at 31 March 2026 calculated based on the information as set out in the 2025 Annual Report; and

(vii) a discount of approximately 74.83% to the closing price of HK$1.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

3.2 Historical price performance of the Share

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the daily closing prices of the Shares, after taking into account the effects of the share consolidation (the "**Share Consolidation**") as set out in the Company's announcement dated 30 September 2025, during the period from 9 June 2025 (being approximately one year prior to date of the Rule 3.5 Announcement) up to and including the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period, being a period of more than one year up to and including the Latest Practicable Date, is adequate to illustrate the recent price movement of the Shares and provides a reasonable basis for assessing the Offer Price against the historical market performance of the Shares. The following chart sets out the daily closing prices of the Shares during the Review Period:

Chart: Movement of the closing prices of the Shares during the Review Period



Source: the Stock Exchange's website

Note: Trading in the Shares was halted from 5 May 2026 to 8 June 2026.

As illustrated in the chart above, (i) the highest closing price of the Shares, after taking into account the effects of the Share Consolidation, was HK$2.16 per Share on 11 June 2026; and (ii) the lowest closing price of the Shares recorded was HK$0.355 per Share on 19 March 2026, 10 April 2026, 13 April 2026 and 14 April 2026. The average closing price of the Shares during the Review Period was at HK$0.843 per Share. The Offer Price of HK$0.365 per Offer Share represents (i) a discount of approximately 83.1% and a premium of approximately 2.8% to/over the highest closing price and the lowest closing price, respectively, during the Review Period; and (ii) a discount of approximately 56.7% to the average closing price of the Shares during the Review Period. Although the Offer Price of HK$0.365 per Offer Share falls within the aforesaid historical closing price range of the Shares during the Review Period, it is very close to the lowest closing price of the Shares. We noted that the Offer Price of HK$0.365 per Offer Share is lower than the closing prices of the Shares for 209 trading days out of the total of 222 trading days during the period from the start of the Review Period up to the Last Trading Day.

From 9 June 2025 to 30 September 2025, the closing price of the Shares, after taking into account the effects of the Share Consolidation, fluctuated within a range of HK$0.75 per Share and HK$0.98 per Share. After that, the closing price of the Shares showed a decreasing trend from HK$0.98 per Share on 30 September 2025 to the lowest of HK$0.355 per Share on 19 March 2026. We observed a generally stable pattern in the closing price of the Shares from mid-March 2026 to mid-April 2026, which hovered in the range of HK$0.355 per Share to HK$0.375 per Share during the period.

The average closing price per Share for the period from 9 June 2025 to the Last Trading Day was approximately HK$0.684. Following the publication of the Rule 3.5 Announcement, the closing price of the Shares surged to HK$2.16 per Share on 11 June 2026. Thereafter, the closing price of the Shares was above the Offer Price of HK$0.365 and closed at HK$1.45 per Share on the Latest Practicable Date.

We noted that the Offer Price of HK$0.365 per Offer Share represented discounts ranging from approximately 73.5% to 83.1% to the closing price of the Shares for the period from the start of the Offer Period up to the Latest Practicable Date. From the start of the Offer Period, the closing price of the Shares fluctuated between HK$1.52 per Share and HK$2.16 per Share, and closed at HK$1.45 per Share on the Latest Practicable Date.

Taking into account the discounts represented by the Offer Price to the closing prices of the Shares during the Review Period, we consider that the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

Apart from the customary announcements made by the Company in terms of its interim and/or annual results announcements, and the issue of interim and/or annual reports and circular for its annual general meeting during the Review Period, other notable events/publications included:

(i) profit warning announcement dated 26 June 2025 for 15M2025;

(ii) announcement dated 22 September 2025 in relation to placing of new shares under general mandate;

(iii) announcement dated 26 September 2025 in relation to the discloseable transaction regarding the disposal of 100% equity interest in the two target companies which are engaged in sales of IC products and electronic components;

(iv) announcement dated 30 September 2025 in relation to proposed Share Consolidation;

(v) announcement dated 10 October 2025 in relation to completion of placing new shares under general mandate;

(vi) inside information announcement dated 12 February 2026 in relation to charge of the Shares of the controlling Shareholder;

(vii) inside information announcement dated 12 March 2026 in relation to winding up petition against subsidiaries;

(viii) inside information announcement dated 12 March 2026 in relation to statutory demand;

(ix) the Rule 3.5 Announcement;

(x) circular in relation to the Subscription; and

(xi) announcement dated 29 July 2026 in relation to the Subscription Completion and Placing Completion.

As advised by the Management, save for the events mentioned above, the Management is not aware of any other material events during the Review Period which may have contributed to the movements in the closing prices of the Shares.

While the closing price of the Shares continued to stay well above the Offer Price throughout the Review Period, it is uncertain whether such level of Share price following the publication of R3.5 Announcement will be sustainable in the absence of the Offer or after the close of the Offer. The Independent Shareholders should also be aware that the price trend may be affected by many different factors such as (i) the investors or Shareholders' view on the Group's industry prospects or future although the Offeror intends to continue the principal business of the Group and the employment of the existing management and employees of the Group; or (ii) the market trend.

The Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date. The Independent Shareholders who wish to accept the Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading price and the trading liquidity of the Shares during the Offer Period.

3.3 Liquidity

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume during each month (the "**Average Trading Volume**"), after taking into account the effects of the Share Consolidation applicable, as compared to the total number of issued Shares held by the public as at the Latest Practicable Date; and (iii) the percentage of the Average Trading Volume as compared to the total number of issued Shares as at the Latest Practicable Date, during the Review Period:

Table 3: Trading liquidity of the Shares

Month	No. of trading days in each month	% of the Average Trading Volume to total number of issued Shares held by the public Shareholders as at the Latest Practicable Date *(Note 1)*	% of the Average Trading Volume to total number of issued Shares as at the Latest Practicable Date *(Note 2)*
		%	%
2025			
June	16	0.037	0.009
July	22	0.075	0.019
August	21	0.039	0.010
September	22	0.315	0.079
October	20	0.167	0.042
November	20	0.059	0.015
December	21	0.043	0.011
2026			
January	21	0.057	0.014
February	17	0.018	0.004
March	22	0.085	0.021
April	19	0.579	0.145
May	1	14.904	3.726
June	15	5.847	1.462

Month	No. of trading days in each month	% of the Average Trading Volume to total number of issued Shares held by the public Shareholders as at the Latest Practicable Date *(Note 1)*	% of the Average Trading Volume to total number of issued Shares as at the Latest Practicable Date *(Note 2)*
		%	%
July	22	0.507	0.127
August (including and up to the Latest Practicable Date)	13	0.196	0.049

Source: the Stock Exchange's website

Notes:

1. Based on 115,304,638 Shares held by the other public Shareholders as at the Latest Practicable Date.

2. Based on 461,209,833 Shares as at the Latest Practicable Date.

We noted from the above table that the Average Trading Volume of the Shares was generally thin during the Review Period. Based on the above table, save for May and June 2026, being the first two months following the publication of the Rule 3.5 Announcement, the Average Trading Volume for each month during the Review Period was below (i) 1.0% of the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date; and (ii) 1.0% of the total number of issued Shares as at the Latest Practicable Date. This indicates that the Shares had generally low liquidity during the Review Period.

3.4 Comparable companies

To further assess the fairness and reasonableness of the Offer Price, we performed the trading multiple analysis which includes book-based, earnings-based and sales-based multiples as below. However, (i) given that the Group is not an asset-based business, the price to book ratio ("**PBR**") analysis may not yield any conclusive meaning and the comparison on PBR was not adopted; and (ii) given that the Group was loss-making for FY2026, the price to earnings ratio ("**PER**") analysis may not yield any conclusive meaning and the comparison on PER was not adopted. As the Company is a revenue-based company, we consider the adoption of price to sales ratio ("**PSR**") in market comparable analysis is appropriate.

We searched for Hong Kong listed companies (i) which are principally engaged in the distribution or design of IC in Hong Kong or PRC and derived more than 50% of their revenue from such businesses in aggregate for their latest financial year to ensure that the principal businesses of the comparable companies are substantially the same as that of the Company; and (ii) which had market capitalisation of below HK$2 billion as at the Latest Practicable Date that we considered they are within a reasonable market capitalisation range as compared to that of the Company as they are all categorised as small cap companies (i.e. companies with market capitalisation of below HK$10 billion) and their market capitalisation are all below HK$2 billion. We found 5 companies listed below which met the aforesaid criteria (the "**Comparable Companies**") and considered the Comparable Companies, which represents an exhaustive list of stocks based on the above, to be fair and representative samples for comparison purpose.

Table 4: Analysis of the Comparable Companies

Company name (Stock code)	Principal business	Market capitalisation of shares listed on the Stock Exchange as at the Latest Practicable Date	PSR *(Note 1, 2)*
		Approximate HK$ million	*(x)*
China Electronics Huada Technology Company Limited (85)	Sale of IC products and provision of related design services	1,837	0.84
Intron Technology Holding Limited (1760)	Distribution of semiconductors including microcontrollers, memory ICs and power semiconductor ICs for automobiles and semiconductor-related software solution services	1,343	0.26
MEGAIN Holding (Cayman) Co., Ltd. (6939)	Research, design, development, and sales of compatible cartridge chips	719	5.34
Solomon Systech (International) Limited (2878)	Design, development, and sale of proprietary IC products and system solutions	649	0.89
V & V Technology Holding Limited (8113)	Sale of electronic component (Mainly IC)	90	0.10
		Maximum:	5.34
		Minimum:	0.10
		Average:	1.49
		Median:	0.84
The Company		168	0.42 *(Note 1, 2, 3)*

Source: the Stock Exchange's website

Notes:

1. Sales of the Comparable Companies and the Company represented their respective latest audited total consolidated revenue as extracted from their respective published annual results.

2. The PSR of the Comparable Companies and the Company were calculated based on their respective latest audited total consolidated revenue, their respective closing prices as quoted on the Stock Exchange and the total issued shares as at the Latest Practicable Date.

3. The implied market capitalization of the Company implied by the Offer Price is calculated based on (i) the Offer Price of HK$0.365 per Offer Share; and (ii) 461,209,833 Shares in issue as at the Latest Practicable Date.

As depicted in the above table, the PSR of the Comparable Companies ranged from approximately 0.10 times to approximately 5.34 times, with an average of approximately 1.49 times and a median of approximately 0.84 times.

We noted that the implied PSR of the Company is within the PSR range of the Comparable Companies and lower than both the average and median PSR of Comparable Companies.

Taking into account the implied PSR of the Company is lower than the average and median PSRs of the Comparable Companies. This indicates that the market capitalisation of the Company as implied by the Offer Price is not fair and reasonable, we consider the Offer Price to be unattractive, rendering the Offer not fair and reasonable so far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having considered that:

(i) Offer Price was lower than the closing price of the Share for 209 trading days out of the total of 222 trading days during the period from the start of the Review Period up to the Last Trading Day, as discussed in the section headed "3. Evaluation of the key terms of the Offer — 3.2 Historical price performance of the Share" in this Letter;

(ii) The Offer Price of HK$0.365 per Offer Share represented discounts ranging from approximately 73.5% to 83.1% to the closing price of the Shares for the period from the start of the Offer Period up to the Latest Practicable Date, which allows Independent Shareholders to sell their Shares at prices higher than the Offer Price if they consider fit, as discussed in the section headed "3. Evaluation of the key terms of the Offer — 3.2 Historical price performance of the Share" in this Letter;

(iii) the outlook of the IC industry in the PRC is generally positive, as discussed in the section headed "1. Information of the Group — 1.4 Prospects of the Group" in this Letter; and

(iv) the implied PSR of the Company is within the PSR range of the Comparable Companies respectively and lower than both the average and median PSR of Comparable Companies, as discussed in the section headed "3. Evaluation of the key terms of the Offer — 3.4. Comparable companies" in this Letter,

we are of the view that the Offer (including the Offer Price) is not fair and reasonable so far as the Independent Shareholders are concerned. Taking into account the factors above, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders not to accept the Offer.

For those Independent Shareholders who wish to realise their investments, we recommend that they consider disposing of their Shares in the open market. Nevertheless, the Independent Shareholders should also note that (i) given the significant price fluctuation during the Review Period, there is no guarantee that the Share price will sustain at a level above the Offer Price and/or after the Offer Period; (ii) given the historical thin liquidity of the Shares, it may be difficult for the Offer Shareholders to dispose of a significant number of the Shares on the market in a short period of time without exerting downward pressure on the Share price; and (iii) the Independent Shareholders (regardless of their amount of shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price when they are going to dispose of their partial or entire holdings. In such circumstances, the Offer might provide an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares at the Offer Price of HK$0.365 per Offer Share. However, for those Independent Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from such sale of Shares would be higher than that receivable under the Offer. For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Offer Document or the Response 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.

Yours faithfully,
For and on behalf of
Ignite Capital (Asia Pacific) Limited

Cecilia Tam
Managing Director

Ms. Cecilia Tam is a licensed person registered with the SFC and a responsible officer of Ignite Capital (Asia Pacific) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in the corporate finance industry.

* *For identification purposes only*