

31 December 2025

*To: The independent board committee and the independent shareholders
of Hengxin Technology Ltd.*

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF 39% EQUITY INTEREST IN TARGET COMPANY**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 31 December 2025 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 7 December 2025, the Company, the Purchaser and Target Company entered into the Equity Transfer Agreement pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Equity, representing the 39% equity interest in the Target Company at the Consideration of RMB500.0 million in cash. On 30 December 2025, the Company, the Purchaser and the Target Company entered into the Supplemental Agreement in relation to the amendment of the payment arrangement of the Consideration.

With reference to the Board Letter, the Disposal constitutes a major and connected transaction of the Company and is subject to, among others, announcement, circular and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Qian Ziyan, Ms. Lin Ting and Mr. Chan Hon Chung Johnny (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Disposal are on normal commercial terms and are fair and reasonable; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent

Shareholders should vote in respect of the resolution to approve the Disposal at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Company's (i) major and connected transactions, details of which are set out in the Company's circular dated 11 April 2024; (ii) continuing connected transaction, details of which are set out in the Company's announcement dated 22 April 2024; (iii) very substantial acquisition and connected transaction, details of which are set out in the Company's circular dated 25 June 2024; (iv) continuing connected transaction, details of which are set out in the Company's circular dated 22 August 2024; and (v) continuing connected transactions, details of which are set out in the Company's circular dated 12 December 2025 (collectively, the "IFA Engagements"). Save for the IFA Engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the IFA Engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser and the IFA Engagements, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company, their subsidiaries and/or associates.

Having considered the above, in particular (i) none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the IFA Engagements were only independent financial advisory engagements, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no

undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of Disposal Group and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the market value of the Sale Equity (the “Valuation”) prepared by the Independent Valuer (the “Valuation Report”), which is set out in Appendix II to the Circular. Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for the Valuation as at the 30 September 2025 (i.e. “Valuation Date”).

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Purchaser or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and, save as and except for any material change that may arise up to the date of the EGM, affect and change our opinion, we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources and such sources are reliable.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is an investment holding company. The Group is principally engaged in (i) the chips research, design, sales and supply chain services, semiconductor, intellectual property authorization business, and digital security products and services; (ii) the supply of

electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology; and (iii) the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment.

Set out below are the Group's consolidated financial information for the two years ended 31 December 2024 and the six months ended 30 June 2025 (with comparative figures for the corresponding period in 2024) as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report") and the Company's interim report for the six months ended 30 June 2025 (the "2025 Interim Report"):

	For the six months ended 30 June 2025 ("1H2025") (<i>unaudited</i>) RMB'000	For the six months ended 30 June 2024 ("1H2024") (<i>unaudited</i>) RMB'000	Year-on-year change %	For the year ended 31 December 2024 ("FY2024") (<i>audited</i>) RMB'000	For the year ended 31 December 2023 ("FY2023") (<i>audited</i>) RMB'000	Year-on-year change %
Revenue	1,022,209	1,115,320	(8.35)	2,519,987	2,255,903	11.71
– Integrated circuits and digital technology	94,677	78,037	21.32	238,345	202,671	17.60
– New energy and services	73,697	68,032	8.33	185,971	77,064	141.32
– Telecommunications	853,835	969,251	(11.91)	2,095,671	1,976,168	6.05
Gross profit	187,331	210,213	(10.89)	467,305	434,698	7.50
(Loss)/profit attributable to equity shareholders of the Company	(70,420)	26,589	N/A	42,189	69,702	(39.47)

FY2023 vs FY2024

As depicted from the above table, the Group's revenue was approximately RMB2,520 million for FY2024, representing an increase of approximately 11.71% as compared to that for FY2023. With reference to the 2024 Annual Report, such increase was mainly due to (i) the increase in revenue generated from the new energy and services business segment as results of the completion of acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. ("Zhongguang New Energy") in July 2023; and (ii) the increase in revenue generated from the telecommunications business segment, which was mainly due to the Group's increased effort on market exploration with more competitive pricing strategy and broadening its products mix width in order to maintain its market position and securing orders from major telecommunication operators in the PRC. The telecommunications business segment contributed to approximately 88% and approximately 83% of the Group's revenue for FY2023 and FY2024 respectively.

The Group's gross profit for FY2024 also increased by approximately 7.50% as compared to that for FY2023. With reference to the 2024 Annual Report, such increase was mainly due to the aforementioned increase in the Group's revenue.

Despite of the increase of the Group's gross profit from FY2023 to FY2024, the Group's profit attributable to equity shareholders of the Company for FY2024 decreased by approximately 39.47% as compared to that for FY2023. With reference to the 2024 Annual Report, such decrease was mainly due to increase in selling and distribution expenses, administrative expenses and other operating expenses.

1H2024 vs 1H2025

As depicted from the above table, the Group's revenue was approximately RMB1,022 million for 1H2025, representing a decrease of approximately 8.35% as compared to that for 1H2024. With reference to the 2025 Interim Report, such decrease was mainly due to the decrease in revenue generated from the telecommunication business segment, which was mainly due to continuous fierce market competition during 1H2025. The telecommunications business segment contributed to approximately 87% and approximately 84% of the Group's revenue for 1H2024 and 1H2025 respectively.

The Group's gross profit for 1H2025 also decreased by approximately 10.89% as compared to that for 1H2024. With reference to the 2025 Interim Report, such decrease was mainly due to the aforementioned decrease in the Group's revenue.

The loss attributable to equity shareholders of the Company was approximately RMB70 million for 1H2025 whereas the profit attributable to equity shareholders of the Company was approximately RMB27 million for 1H2024. With reference to the 2025 Interim Report, such turnaround was mainly due to (i) the aforementioned decreases in the Group's revenue and gross profit; (ii) decrease in other operating income; and (iii) increase in income tax.

Information on the Disposal Group

With reference to the Board Letter, Target Company is a company established under the PRC laws with limited liability and principally engaged in the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. As at the Latest Practicable Date, Target Company is a direct wholly-owned subsidiary of the Company.

As at the Latest Practicable Date, Hengxin Wireless, Hengxin Technology and Zhonglian Technology are the subsidiaries of Target Company, of which (i) Hengxin Wireless is principally engaged in the research, design, development, manufacturing, sales and technical services of antennas and related telecommunications products for mobile communications system; (ii) Hengxin Technology is principally engaged in trading and investment holding; and (iii) Zhonglian Technology is principally engaged in the research, design, development, manufacturing, sales and technical services of telecommunication products for mobile communications systems.

Set out below are the financial information of the Disposal Group for the two years ended 31 December 2024 and 1H2025, which were prepared in accordance with International Financial Reporting Standards:

	For the six months ended 30 June 2025 RMB million (unaudited)	For the year ended 31 December 2024 RMB million (unaudited)	For the year ended 31 December 2023 RMB million (unaudited)
Profit before taxation	11,413	87,748	89,397
Profit after taxation	10,657	78,779	83,036

With reference to the Board Letter, the net assets of the Disposal Group as at 30 June 2025 were approximately RMB1,253.5 million.

Information on the Purchaser

With reference to the Board Letter, Hengtong Group is a company established under the PRC laws with limited liability and is an investment holding company with investments covering fibre optical communication, power transmission, engineering, procurement, construction (EPC) turnkey service and maintenance, as well as IoT, big data, e-commerce, new materials and new energy. As at the Latest Practicable Date, Hengtong Group is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively.

Reasons for and benefits of the Disposal

With reference to the Board Letter, to enter into the Disposal, the Board has mainly considered the following factors:

(i) *Strategic disposal of part of the Telecommunication Business to address underperformance of the Share and focus on high-growth opportunities*

Over the past two years leading up to the Latest Practicable Date, the Share price has consistently underperformed compared with the Hang Seng Index. The Board considers that the sluggish performance of the Share price is primarily attributable to the limited growth prospects and uncertainty surrounding the Group's Telecommunication Business. For FY2024, while the integrated circuits and digital technology business segment achieved a year-on-year growth of approximately 17.6% and the new energy and services business segment achieved a year-on-year growth of approximately 141.3%, the Telecommunication Business recorded a comparatively modest revenue increase of approximately 6.0%. Amid persistent trade frictions and escalating geopolitical tensions, the overseas market demand has been volatile, and the Company is anticipated to encounter growing challenges in its exploration and expansion efforts in international markets moving forward. Additionally, with the construction of 5G networks in both domestic and overseas developed markets nearing completion, the demand in the wireless segment of mobile communications networks has also been experiencing slow growth. For 1H2025, the Telecommunication Business recorded a decrease in revenue of approximately RMB115.4 million or 11.9%, from approximately RMB969.3 million for 1H2024 to approximately RMB853.8 million for 1H2025. Such decline occurred despite the Group's increased efforts in market exploration, including the implementation of a more competitive pricing

strategy and the broadening of its product mix, aimed at maintaining its market position and securing orders from major telecommunication operators in the PRC. In contrast, for 1H2025, the integrated circuits and digital technology business segment achieved a period-on-period growth of approximately 21.4%, while the new energy and services business segment achieved a period-on-period growth of approximately 8.4%.

The Board periodically conducts strategic reviews of its businesses to maximize returns to Shareholders. Considering (i) the prevailing market valuation of the Company; (ii) the business outlook of the Telecommunication Business, including the resources needed to sustain the Disposal Group's market competitiveness and prospects; and (iii) the overall business strategy of the Group, the Board believes that the Disposal represents an attractive opportunity to realise partial value from the Disposal Group at an opportune time and to reallocate the proceeds towards technology-driven products and services, as well as policy-supported industries that offer higher growth potential. This strategic reallocation of capital is expected to accelerate the development of the Group's Growing Businesses, thereby enhancing overall profitability and creating greater potential to increase the Company's market valuation over the medium to long term.

(ii) *The growth prospects of the Growing Businesses*

The Company is confident that the Growing Businesses have significant growth potential.

In respect of the integrated circuits and digital technology business:

- (a) the year 2025 is poised to mark the beginning of a significant surge in artificial intelligence (AI) terminal applications, driving comprehensive growth in the semiconductor market. According to the World Semiconductor Trade Statistics (WSTS), the global semiconductor market is projected to reach US\$697 billion in 2025, reflecting a robust growth rate of 11.2%. Furthermore, according to Statista, the global semiconductors market is anticipated to experience compound annual growth rate (CAGR) of 10.24% from 2025 to 2030, leading to a robust market volume of US\$1.29 trillion by 2030, indicating the sustained interest and investment in semiconductor technology. Concurrently, the Chinese government is actively advancing initiatives to achieve independent control of the semiconductor industry, supported by the rapid expansion of emerging technology sectors such as AI, the Internet of Things (IoT), big data, and new energy vehicles. These developments collectively indicate a highly promising outlook for the integrated circuits and digital technology market, positioning it as a key driver of global technological and economic progress. As of 30 June 2025, the integrated circuits and digital technology business segment has an order backlog of over RMB178.3 million, laying a solid foundation for the Group's operations in the second half of 2025;
- (b) Mr. Peng Yinan, an executive Director, and Shanghai Zhangyu Information Technology Co., Ltd., a wholly-owned subsidiary of the Company, have played pivotal roles as one of the drafters and primary drafting entities, respectively, in the formulation of the national standard for Metaverse-Reference Architecture (the "Standard"). The Standard falls under the purview of the National Technical Committee on Information Technology Standardization (SAC/TC 28) and is overseen by the National Standards Committee. Leveraging its deep understanding of the Standard and technological expertise in blockchain (particularly in decentralized identity/

DID and trusted data exchange) and digital security, the Company is well-positioned to lead the development of key components and solutions that align with the Standard, such as trusted identity authentication, data privacy protection, and system security safeguards; and

- (c) the Company has established a joint laboratory for intelligent security cryptographic chips with East China Normal University. The Company and East China Normal University will collaborate on applying for national-level research programs, including the National Key Research and Development Program and key projects under the National Natural Science Foundation, as well as major and key research projects issued by Shanghai. The collaboration will also involve joint talent cultivation and the sharing of technological achievements. The Board considers that the collaboration will significantly enhance the Group's capabilities in foundational research, key technology breakthroughs, and industrial applications of cryptographic chips, further strengthening its core competitiveness in the field of high-end digital security.

In respect of the new energy and services business:

- (a) under the guidance of China's "dual carbon goals" (carbon emissions peak by 2030 and carbon neutrality by 2060), China's energy industry is accelerating its transformation and upgrading, which propels the renewable energy industry into a new stage of high-quality development. As an important part of renewable energy, solar thermal power is gaining increasing importance in the transformation of energy structure due to its reliability and sustainability. In particular, the Energy Law of the People's Republic of China implemented on 1 January 2025 explicitly advocates for "active development of solar thermal power generation", providing robust legal support for the development of the solar thermal power generation industry. According to the China Photovoltaic Industry Association (CPIA), the global photovoltaic newly added installed capacities are expected to reach 570-630 gigawatts ("GW") in 2025. Among them, driven by both policy and market forces, China's newly added installed capacities are projected to reach 270-300GW, accounting for more than 40% of the world's total, reflecting the sustained robust demand in the domestic market;
- (b) the Delingha 350 megawatts ("MW") solar thermal project ("**Qinghai Project**"), participated by Zhongguang New Energy, has been successfully designated as a 2024 solar thermal power demonstration (pilot) project in Qinghai Province. Notably, Qinghai Project is currently the largest tower-type solar thermal project in terms of installed capacity among the completed, planned and under-construction projects in the world. The Board believes that this selection will significantly enhance the Company's competitive edge in securing bids for projects utilizing similar solar thermal power technologies. Based on the feasibility report prepared by Northwest Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group (the "**Feasibility Report for Qinghai Project**"), it is expected that the Qinghai Project will operate in full capacity in the third quarter of 2027. The Board considers that the Qinghai Project will generate stable long-term revenue and enhance the Group's market reputation and competitiveness in the solar thermal power generation sector;

- (c) the Delingha 50MW Tower-type Molten Salt Thermal Storage Solar Thermal Project in Qinghai Province, wholly owned by Zhongguang New Energy, has been successfully included in the Green Technology Promotion Catalog (2024 Edition) (《綠色技術推廣目錄(2024年版)》), jointly prepared by the National Development and Reform Commission of the PRC and seven other government departments, as a benchmark application case. This inclusion signifies the formal acknowledgment by the PRC government authority of Zhongguang New Energy's advanced molten salt thermal storage technology, thereby reinforcing its strategic position and contributing significantly to the long-term development of the Group; and
- (d) leveraging over a decade of practical experience and accumulated expertise in the construction, operation, and maintenance of solar thermal power plants, Zhongguang New Energy has strategically deployed its capabilities to provide standardized and systematic operation and maintenance solutions tailored to the entire life cycle of solar thermal power plants. These solutions ensure the smooth and efficient operation of power plants. As of 30 June 2025, Zhongguang New Energy has secured six external contracts for the operation and maintenance of solar thermal power stations, with the cumulative value of these contracts reaching RMB230 million, underscoring its leadership and reliability in the industry.

In addition, we also noted from an article titled 《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》 (“Proposals of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development*”) as published on the official website of the State Council of the PRC on 28 October 2025 that the PRC government should (i) accelerate high-level scientific and technological self-reliance and self-strengthening, lead the development of new quality productive forces, enhance original innovation and breakthroughs in key core technologies, and comprehensively drive decisive breakthroughs in key core technologies in key areas such as integrated circuits across the entire chain; (ii) accelerate the comprehensive green transformation of economic and social development, expedite the establishment of a new energy system, continuously increase the proportion of new energy supply, and adhere to the coordinated development of multiple energy sources such as wind, solar, hydro, and nuclear power.

Having considered above, we are of the view that the Growing Businesses have significant growth potential.

(iii) The fairness and reasonableness of the Consideration

Given that (a) the implied value of the Target Company of RMB1,282.1 million (the “**Implied Value**”), which is deduced from the Consideration for the Sale Equity, represents a premium of approximately 54.7% to the market capitalization of the Company as at the Latest Practicable Date; (b) the Implied Value represents a slight premium of approximately 2.3% to the net assets value of the Disposal Group as at 30 June 2025; and (c) the Consideration represents a slight premium of approximately 1.8% to the market value of the Sale Equity as appraised under the Valuation, the Directors consider that the Disposal provides an opportunity for the Company to realise a portion of the underlying value of the Telecommunication Business at a reasonable valuation, thereby enabling the Group to reallocate resources towards its Growing Businesses with higher-growth potential and enhance long-term shareholder value.

Use of proceeds

With reference to the Board Letter, the Directors consider the strategic divestment of the Sale Equity for the Telecommunication Business will enhance the overall cash position of the Group in preparation of further development of the Growing Businesses. The net proceeds from the Disposal of approximately RMB478.7 million (after deducting expenses and related taxes) is intended to be used as follows:

- (i) approximately RMB300.0 million, representing approximately 62.7% of the net proceeds, will be used in the development of Qinghai Project (the “**Proceeds for Qinghai Project**”), which is expected to be fully utilized by the end of 2027;
- (ii) approximately RMB140.0 million, representing approximately 29.2% of the net proceeds, will be used for the establishment of the advanced packaging facility (the “**Advanced Packaging Project**”) (including (a) the procurement of production equipment, testing equipment, and factory IT systems; and (b) general working capital to support the integrated circuits and digital technology business segment) (the “**Proceeds for Advanced Packaging Project**”), which is expected to be fully utilized by the end of 2027;
- (iii) approximately RMB20.0 million, representing approximately 4.2% of the net proceeds, will be used for the repayment of loans, which is expected to be fully utilized by the end of 2026; and
- (iv) approximately RMB18.7 million, representing approximately 3.9% of the net proceeds will be used for the general working capital of the Group, which is expected to be fully utilized by the end of 2026.

In respect of the Qinghai Project, we obtained the Feasibility Report for the Qinghai Project from the Company together with the corresponding breakdown of the Proceeds for Qinghai Project. We noted from the aforesaid breakdown that Proceeds for Qinghai Project will be applied for equipment procurement and construction work of the Qinghai Project. As advised by the Directors, the revenue to be generated from the Qinghai Project will be categorized as the revenue generated from new energy and services business of the Group, being one of the Growing Businesses of the Group.

In respect of the Advanced Packaging Project, we obtained the project plan for the Advanced Packaging Project from the Company together with the corresponding breakdown for the Proceeds for Advanced Packaging Project. We noted from the aforesaid breakdown that the Proceeds for Advanced Packaging Project will be applied for (a) the procurement of production equipment, testing equipment, and factory IT systems; and (b) general working capital. As advised by the Directors, the revenue to be generated from the Advanced Packaging Project will be categorized as the revenue generated from integrated circuits and digital technology business of the Group, being one of the Growing Businesses of the Group.

With reference to the 2025 Interim Report and the Company’s interim report for the six months ended 30 June 2024, we noted that the Group’s gearing ratios (calculated as total liabilities divided by total assets) were approximately 57%, 50%, 38% and 36% as at 30 June 2025, 31 December 2024, 30 June 2024 and 31 December 2023 respectively, indicating that the Group’s gearing ratio increased continuously since 2024. The net proceeds of approximately RMB20.0 million from the Disposal to be used for the repayment of loans is expected to improve the Group’s gearing level.

In addition, we consider that the net proceeds of approximately RMB18.7 million from the Disposal to be used for the general working capital of the Group will support the Group's business operation and development.

Based on the above, we are of the view that the proposed use of proceeds from the Disposal is in line with the Group's development strategy and beneficial to the Group.

In light of the above, in particular, (i) the Disposal represents an opportunity to realise partial value from the Disposal Group at an opportune time and to reallocate the proceeds towards the Group's Growing Businesses; (ii) the Growing Businesses have significant growth potential; (iii) the strategic reallocation of capital is expected to accelerate the development of the Group's Growing Businesses, thereby enhancing overall profitability and creating greater potential to increase the Company's market valuation over the medium to long term; and (iv) the proposed use of proceeds from the Disposal is in line with the Group's development strategy and beneficial to the Group, we consider that although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Disposal

Set out below is the principal terms of the Equity Transfer Agreement, details of which are set out under the section headed "THE EQUITY TRANSFER AGREEMENT" of the Board Letter.

Date

7 December 2025 (as supplemented by the Supplemental Agreement dated 30 December 2025)

Parties

- (i) the Company
- (ii) the Purchaser; and
- (iii) Target Company

Equity interests to be disposed

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Equity at the Consideration of RMB500.0 million in cash. The Sale Equity represents 39% equity interest in the Target Company as at the date of the Equity Transfer Agreement. The Disposal Group is principally engaged in the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment (i.e. the Telecommunication Business).

Consideration

The Consideration of RMB500.0 million shall be payable by the Purchaser to the Company in cash in accordance with the following manner:

- (i) RMB350.0 million, representing 70% of the Consideration (i.e. the First Tranche), shall be paid as a refundable prepayment (i.e. the Prepayment) to the Company's designated account within 15 Business Days from the date of signing of the Supplemental Agreement, and the Prepayment shall be applied towards the settlement of the First Tranche upon the Company obtaining Independent Shareholders' approval of the Equity Transfer Agreement and the transactions contemplated thereunder at its general meeting. If, within 30 days after the signing of the Supplemental Agreement, the Company fails to obtain the Independent Shareholders' approval of the Equity Transfer Agreement and the transactions contemplated thereunder at its general meeting, then the Equity Transfer Agreement and the Supplemental Agreement shall be terminated. In such event, the Company shall, within 15 days after termination of the agreements, refund in full (without interest) the Prepayment already paid by the Purchaser (based on the amount actually paid by the Purchaser); and
- (ii) RMB150.0 million, representing 30% of the Consideration, shall be paid to the Company's designated accounts within 5 Business Days after all conditions precedent set out in the Equity Transfer Agreement are fulfilled or waived (as the case may be) and the registration of the industrial and commercial change of Sale Equity by parties in relation to the Disposal is completed (subject to the Target Company obtaining the business licenses after the industrial and commercial change).

Basis of the consideration

The Consideration was determined after arm's length negotiations between the parties to the Equity Transfer Agreement by taking into consideration various factors, including but not limited to (i) the historical financial performance of the Disposal Group as well as the market capitalisation of the Shares in the past years; (ii) a valuation prepared by the Independent Valuer in respect of the 39% equity interest of the Target Company (i.e. the Valuation) with market value of approximately RMB491.0 million as at 30 September 2025 (i.e. the Valuation Date) under market approach, which is mainly based on the enterprise value-to-earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") multiples of the comparable companies; and (iii) the factors as described under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" of the Board Letter.

The Valuation

To assess the fairness and the reasonableness of the Consideration, we obtained the Valuation Report prepared by the Independent Valuer and noted that the Valuation was approximately RMB490,978,000 as at the Valuation Date. The Consideration (i.e. RMB500.0 million) represents a premium of approximately 1.84% as compared to the Valuation.

Qualification and Independence

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation Report. From the mandate letter and other relevant information provided by the Independent Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Independent Valuer as well as their qualification for preparation of the Valuation Report. The Independent Valuer also confirmed that they are independent to the Group, the Purchaser and Target Company.

Valuation approach

With reference to the Valuation Report:

- In arriving the market value of the Sale Equity, the Independent Valuer have considered three generally accepted approaches, namely market approach, cost approach and income approach.
- Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

- Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

- Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

- To select the most appropriate approach, the Independent Valuer has considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to the Independent Valuer to perform an analysis. The Independent Valuer has also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Company. In the Independent Valuer's opinion, the cost approach is inappropriate for valuing the Target Company, as it does not directly incorporate information about the economic benefits contributed by the Target Company. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained. Given that there are sufficient publicly listed companies that are comparable to the Target Company in terms of industry relevance, profitability and geographic focus, the Independent Valuer relied on the market approach in determining their opinion of value.

As the applicability of each of the three commonly adopted valuation approaches were considered before adopting market approach; and having considered the limitations of cost approach and income approach as detailed above, we concur with the Independent Valuer on the adoption of market approach for the purpose of conducting the Valuation. As the other fundamental valuation approaches were not appropriate for assessing the market value of the Sale Equity, we did not cross-check the market value of the Sale Equity using other valuation methodologies.

Valuation methodology

With reference to the Valuation Report, there are two common methods under market approach, namely, guideline public companies method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transactions between unrelated parties and ratio of transaction price to Target Company's financial metrics. In this exercise, the market value of equity interest in the Target Company was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target Company. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

The Independent Valuer considered price-to-earnings ("P/E"), price-to-book ("P/B"), price-to-sales ("P/S"), enterprise value-to-sales ("EV/S"), and enterprise value-to-earnings before interests, taxes, depreciation and amortisation ("EV/EBITDA") ratios and finally adopted EV/EBITDA ratio for the Valuation due to the reasons below:

- P/E ratio is not selected as it does not capture the financial leverage and other related risk feature across the companies.
- P/B ratio is not selected as P/B fails to capture the intangible company-specific competencies and advantages so in general, the equity's book value has little bearing with its fair value.
- P/S & EV/S ratios are not used in the Valuation as P/S & EV/S do not take into account a company's profitability.

- EV/EBITDA ratio is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies.

Having considered the abovementioned reasons and that (i) the Disposal Group's earnings before interests, taxes, depreciation and amortisation ("EBITDA") for the last twelve months as at the Valuation Date is positive; and (ii) EV/EBITDA ratio is used in order to reflect the latest financial and operation status of the Disposal Group, we consider the adoption of EV/EBITDA ratio for the Valuation is fair and reasonable.

With reference to the Valuation Report, the comparable companies are often of significantly different size from the target. Larger companies are generally perceived as less risky in relation to business operation and financial performance, and thus the expected returns are lower and resulting in higher multiples. Therefore, the base multiples were adjusted to reflect the difference in size between the comparable companies and the target.

The adjusted EV/EBITDA Ratios were calculated using the following formula:

$$\text{Adjusted EV/EBITDA Ratio} = 1/((1/M) + \alpha * \varepsilon * \theta)$$

Where:

M = The base EV/EBITDA ratio

α = The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies

ε = The ratio of the equity value to the enterprise value of the comparable company

θ = Required adjustment in the equity discount rate for difference in size

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In the Valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ , it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the target. With reference to 2025 Kroll Cost of Capital Navigator, an interactive, web-based platform which is a widely used source by valuation analysts to determine the size premium differentials, size premium differentials of 0.00%-2.14% were adopted to capture how much the market capitalization of each of the comparable companies is larger than the market value of the target. For our due diligence purpose, we obtained from the Independent Valuer the data extracted by the Independent Valuer from 2025 Kroll Cost of Capital Navigator and noted relevant references therefrom that substantiated the aforesaid size premium differentials adopted.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital

("WACC") of the valuation subject. Since the size and country risk premium differentials " θ " are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, the Independent Valuer only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion. In other words, the ratio ε takes into account of the varying capital structures among the comparable companies. Market capitalization and enterprise value of comparable companies are obtained from Capital IQ. For our due diligence purpose, we obtained the calculation of applied parameter ε for each of the Comparable Companies (as defined below) from the Independent Valuer. After cross-checking and discussion of the aforesaid calculation with the Independent Valuer, nothing had come to our attention that caused us to doubt the calculation.

The ratio of EBITDA to net operating profit after tax ("NOPAT") was used as a scale factor α , which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit. EBITDA and NOPAT of comparable companies are obtained from Capital IQ. For our due diligence purpose, we obtained the calculation of applied parameter α for each of the Comparable Companies (as defined below) from the Independent Valuer. After cross-checking and discussion of the aforesaid calculation with the Independent Valuer, nothing had come to our attention that caused us to doubt the calculation.

In light of the above, we consider the adoption of adjusted EV/EBITDA ratio (based on the adjustment formula together with the parameters as aforementioned) for the Comparable Companies (as defined below) for conducting the Valuation is fair and reasonable.

Furthermore, we noted that the Independent Valuer applied discount on lack of marketability ("DLOM") to reflect the cost and time lag associated with locating interested and capable buyers of interests in privately-held companies given that there is no established market of readily available buyers and sellers. With reference to the Valuation Report, the indicated DLOM for adjustment in the valuation multiple adopted on the Target Company is 15.60% as at the Valuation Date, based on a study "2024 edition of the Stout Restricted Stock Study Companion Guide" issued by Stout Risius Ross, LLC (the "2024 Stout Study"). For our due diligence purpose, we obtained the 2024 Stout Study from the Independent Valuer and noted that the applied DLOM in the Valuation equals to the median marketability discount rate across the spectrum of industries as stated in the 2024 Stout Study. Hence, we consider the adoption of DLOM (being 15.60%) for the Valuation is fair and reasonable.

Valuation assumption

With reference to the Valuation Report, under guideline public company method, which requires identifying suitable guideline public companies and selection of appropriate trading multiples, in determining the financial multiple, a list of comparable companies was identified. The selection criteria, which are based on the business nature and operation status of the Target Company include the followings (the “**Selection Criteria**”):

- The companies are publicly listed on the Stock Exchange;
- The companies have been listed no fewer than six months;
- The companies derive at least 50% of their revenues from the same industry of the Target Company (i.e. principally engaged in the manufacture and sales of telecommunications and mobile communications equipment);
- The companies mainly operate in the PRC and derive at least 50% of their revenues from customers in the PRC, which is the same as the Target Company;
- The companies have positive enterprise value and trailing 12 months EBITDA and NOPAT, which is the same as the Target Company.

To assess the fairness and reasonableness of the Selection Criteria, we consider the following factors:

- (i) the Selection Criteria were set with comprehensive consideration of financial data reliability and availability, business congruence with the Target Company (i.e. the selected companies generate at least 50% of their revenue from the same industry of the Target Company (i.e. principally engaged in the manufacture and sales of telecommunications and mobile communications equipment) and mainly operate in the PRC and derive at least 50% of their revenues from customers in the PRC, which is the same as the Target Company) and the Target Company’s operating conditions;
- (ii) the Selection Criteria would allow the Independent Valuer to identify companies that operate within the same industry as the Target Company with sufficient information for the purpose of conducting the Valuation.

Given that above, we consider the Selection Criteria adopted by the Independent Valuer to be fair and reasonable.

As we have concluded that the Selection Criteria is fair and reasonable, we did not set other selection criteria to search for comparable companies. Based on the Selection Criteria, the Valuer identified 6 comparable companies (the “**Comparable Companies**”) and as confirmed by the Valuer, the Comparable Companies are exhaustive. Hence, we consider that the Comparable Companies are fair and representative.

Having considered (i) the shareholding structure of the Target Company; (ii) the business of the Target Company; (iii) the valuation approach, methodologies and assumptions as discussed above; and (iv) the qualification and independence of the Independent Valuer, we consider the adoption of the market approach (with EV/EBITDA ratio), and DLOM (being 15.60%) to be justifiable.

Based on our due diligence on the Valuation as detailed above, including (i) reviewing the Independent Valuer's terms of engagement and qualification; (ii) assessing the applicability of valuation approach and methodology; (iii) assessing the Comparable Companies; and (iv) cross-checking relevant underlying parameters and calculation of the Valuation, and during our discussion with the Independent Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

Our conclusion on the Consideration

Having considered (i) our independent work performed on the Valuation Report; and (ii) that the Consideration (i.e. RMB500.0 million) represents a premium of approximately 1.84% as compared to the Valuation, we are of the view that the Consideration is fair and reasonable.

Completion

With reference to the Board Letter, the Completion shall take place on the Completion Date, being a date which falls within three (3) days after the satisfaction or waiver (where applicable) of the conditions precedent (details of which are set out under the section headed "Conditions Precedent" of the Board Letter) set out in the Equity Transfer Agreement or such later date as may be agreed by the Company and the Purchaser.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the results of the Company.

Our conclusion on terms of the Disposal

Having reviewed and considered the terms of the Equity Transfer Agreement in particular the key terms as listed above, we are of the view that the terms of the Disposal are on normal commercial terms and are fair and reasonable.

Possible financial effects

With reference to the Board Letter, upon Completion, the Target Company will be owned as to 61% and 39% by the Company and the Purchaser, respectively. Accordingly, members of the Disposal Group will remain as subsidiaries of the Company, and their results, assets and liabilities will continue to be consolidated into the consolidated financial statements of the Company.

The Company is estimated to record an unaudited loss before tax as a result of the Disposal of approximately RMB10.2 million, being the difference between the Consideration of RMB500.0 million; and (i) the attributable unaudited consolidated net asset value of the Sale Equity as at 30 June 2025 of approximately RMB488.9 million; and (ii) the estimated transaction costs of approximately RMB21.3

million to be incurred from the Disposal, subject to finalisation as at the Completion Date. The above figures are for illustrative purpose only. The actual gain or loss in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Disposal Group at Completion and subject to the review and final audit by the independent auditors of the Company.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the Disposal and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.