



红日资本有限公司

RED SUN CAPITAL LIMITED

26 June 2026

To: *The Independent Board Committee and the Independent Shareholders of
Transtech Optelecom Science Holdings Limited*

Dear Sir/Madam,

- (1) CONNECTED TRANSACTION – PROPOSED AMENDMENTS TO
ORIGINAL DEED OF NON-COMPETITION;
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY;
AND
(3) CONTINUING CONNECTED TRANSACTIONS –
THE MASTER SALE AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 26 June 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 13 April 2026 (after trading hours), the Company and Futong China entered into the Amendment Deed to amend certain terms of the Original Deed of Non-Competition, having considered the necessity to further clarify and amend the relevant terms of the Original Deed of Non-Competition in order to allow the Group to expand its manufacturing and sales operations of optical fiber preforms and optical fibers into the PRC. Meanwhile, Futong China Group will remain restricted from competing in the Group’s established Hong Kong and ASEAN markets, maintaining a clear business delineation outside the PRC market to protect the interest of the Group and its shareholders.

On 13 April 2026 (after trading hours), the Buyer (a wholly-owned subsidiary of the Company) and the Seller (an Independent Third Party) entered into the Acquisition Agreement, pursuant to which the Buyer agreed to purchase, and the Seller agreed to sell the Sale Shares, representing the entire equity interest in the Target Company, for the Consideration of RMB78,000,000. As at the Latest Practicable Date, the Target Company indirectly owned 51% equity interest of the Hangzhou Company which is primarily engaged in the production and sale of optical fiber preforms and the optical fibers in the PRC. Upon Completion, Hangzhou Company will be accounted for as a non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group. To comply with the relevant requirements under the Listing Rules in relation to the continuing connected transactions, on 13 April 2026, the Board announced that Hangzhou Company and Futong China entered into the Master Sale Agreement, pursuant to which Hangzhou Company has agreed to sell, and Futong China has agreed to buy, optical fibers within the Annual Cap, subject to the terms of the Master Sale Agreement.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Futong China is indirectly interested in approximately 65.22% of the issued share capital of the Company and is the controlling shareholder of the Company and therefore, members of the Futong China Group are connected persons of the Company. Accordingly, the entry into the Amendment Deed constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Futong China Group hold 49% equity interest in Hangzhou Company. Therefore, although the Buyer is acquiring equity interest in the Target Company from the Seller, being an Independent Third Party, the Acquisition is regarded as a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

Historically, and to date, Hangzhou Company has partnered with Futong China to participate in tenders for major telecommunications operators. Under this arrangement, it supplies optical fibers, which are then processed into optical fiber cables by Futong China Group for final sale to the operators. Upon Completion, Hangzhou Company will be accounted for as a non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

Therefore, the transactions contemplated under the Master Sale Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Pursuant to Rule 14.07 of the Listing Rules, as one or more of the applicable percentage ratios calculated in respect of the Master Sale Agreement and the transactions contemplated thereunder (including the related proposed annual caps) exceed 5% on an annual basis, the Master Sale Agreement and the transactions contemplated thereunder (including the related proposed annual caps) will constitute non-exempt Continuing Connected Transactions of the Company, and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors namely, Mr. Li Wei, Mr. Leong Chew Kuan, and Mr. Lau Siu Hang, has been formed to advise the Independent Shareholders as to whether the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps) are on normal commercial terms, fair and reasonable, are in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole, and how to vote at the EGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected with Futong China, the Company or its shareholders, directors or chief executives, or any other parties that could reasonably be regarded as relevant to our independence, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps). During the past two years, Red Sun Capital Limited has not acted as an independent financial adviser and has not provided any other services to the Company under the Listing Rules. Apart from the normal advisory fee payable to us in connection with this engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR 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 representations made to us by the Directors and the management of the Company (“**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided 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.

Our review and analysis were based upon, among other things, including, (i) the Original Deed of Non-Competition; (ii) the Amendment Deed; (iii) the Acquisition Agreement; (iv) the Master Sale Agreement; (v) the announcement of the Company dated 13 April 2026 in relation to the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps) (the “**Announcement**”); (vi) information set out in the Letter from the Board; (vii) the annual report of the Company for the year ended 31 December 2025 (“**2025 Annual Report**”) and the annual report for the year ended 31 December 2024 (“**2024 Annual Report**”); (viii) the accountants’ report on the Target Group as set out in Appendix II of the Circular; (ix) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III of the Circular. We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company, to enable us to reach an informed view and to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. 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, the Management or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this letter, the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

A. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE AMENDMENT DEED

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

(1) Principal business and financial information of the Group

The Group is principally engaged in manufacturing and sale of optical fibres in Hong Kong and optical fibre cables, optical cable cores and related products in Thailand with various standard specifications that are widely used in the telecommunications industry.

Set out below are the summarised consolidated statement of profit or loss of the Group for the three years ended 31 December 2025 as extracted from the 2025 Annual Report and the 2024 Annual Report.

Summary of consolidated statement of profit or loss

	For the year ended 31 December		
	2025	2024	2023
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	96,234	148,017	174,208
Gross (loss)/profit	(5,153)	(275)	17,465
Loss for the year attributable to owners of the Company	(98,304)	(94,846)	(64,222)

Financial performance for the year ended 31 December 2024 ("FY2024") and the year ended 31 December 2025 ("FY2025")

As set out in 2025 Annual Report, the Group's total revenue decreased from approximately HK\$148.0 million in FY2024 to approximately HK\$96.2 million in FY2025. The reasons for the decrease are mainly due to the net effect of (i) the sales of optical fibre cables to one customer in Thailand decreased approximately HK\$33.3 million from approximately HK\$35.2 million to approximately HK\$1.9 million and (ii) the aggregate sales of optical fibre cable to overseas customers decreased HK\$20.3 million from approximately HK\$58.0 million to HK\$37.7 million.

The gross loss of the Group increased from approximately HK\$0.3 million for FY2024 to gross loss of approximately HK\$5.2 million for FY2025. The gross loss margin increased from approximately 0.2% for FY2024 to gross loss margin approximately 5.4% for FY2025. This is mainly attributable to the recognition of fixed overhead and staff costs in cost of sales resulting from the temporary suspension of the Group's manufacturing and trading of optical fibres during FY2025.

Loss attributable to owners of the Company for FY2025 amounted to approximately HK\$98.3 million (FY2024: loss of approximately HK\$94.8 million). The increase of loss attributable to owners of the Company for FY2025 was mainly attributable to the net effect of the following factors: (a) less sales revenue made as a result of the weak economic situation due to the slow recovery from COVID-19 pandemic which contributed to the increase of loss attributable to owners of the Company for FY2025; (b) change from foreign exchange loss to foreign exchange gains resulting from the fluctuation of exchange rates among RMB, THB, US\$ and HK\$ which partially offset the increase of loss attributable to owners of the Company for FY2025; (c) decrease of impairment losses on deposits for purchase of raw materials and acquisition of property, plant and equipment and other receivables which partially offset the increase of loss attributable to owners of the Company for FY2025; (d) increase of reversal of impairment losses on trade receivables which partially offset the increase of loss attributable to owners of the Company for FY2025; (e) recognition of deferred tax asset on impairment losses on financial assets and property, plant and equipment which partially offset the increase of loss attributable to owners of the Company for FY2025; and (f) increase of impairment losses on property, plant and equipment which contributed to the increase of loss attributable to owners of the Company for FY2025.

Financial performance for the year ended 31 December 2023 (“FY2023”) and FY2024

The Group's total revenue decreased from approximately HK\$174.2 million in FY2023 to approximately HK\$148.0 million in FY2024. The reasons for the decrease are mainly due to the net effect of (i) the sales of optical fibre cables to one customer in Thailand decreased approximately HK\$18.3 million from approximately HK\$53.5 million to approximately HK\$35.2 million and (ii) the aggregate sales of optical fibre cable to overseas customers increased HK\$4.2 million from approximately HK\$53.8 million to HK\$58.0 million.

The gross profit of the Group decreased from approximately HK\$17.5 million for FY2023 to gross loss approximately HK\$0.3 million for FY2024. The gross profit margin changed from approximately 10.0% for FY2023 to gross loss margin approximately 0.2% for FY2024. This is mainly attributable to the recognition of fixed overhead and staff costs in cost of sales resulting from the temporary suspension of the Group's manufacturing and trading of optical fibres during FY2024.

Loss attributable to owners of the Company for FY2024 amounted to approximately HK\$94.8 million (FY2023: loss of approximately HK\$64.2 million). The increase of loss attributable to owners of the Company for FY2024 was mainly attributable to the net effect of the following factors: (a) less sales revenue made as a result of the weak economic situation due to the slow recovery from COVID-19 pandemic; (b) less foreign exchange loss resulting from the fluctuation of exchange rates among RMB, THB, US\$ and HK\$; (c) increase of impairment losses on (i) deposits for acquisition of property, plant and equipment; (ii) deposits for purchase of raw materials; and (iii) prepayments; (d) reversal of impairment losses on trade receivables and other receivables; and (e) reversal of deferred tax asset on tax losses previously recognised.

Summary of consolidated statement of financial position of the Group

	As at 31 December		
	2025	2024	2023
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Non-current assets	234,023	244,671	265,362
Current assets	<u>87,339</u>	<u>150,360</u>	<u>251,744</u>
Total assets	<u>321,362</u>	<u>395,031</u>	<u>517,106</u>
Non-current liabilities	1,196	833	556
Current liabilities	<u>47,023</u>	<u>39,439</u>	<u>66,188</u>
Total liabilities	<u>48,219</u>	<u>40,272</u>	<u>66,744</u>
Net current assets	40,316	110,921	185,556
Net assets	<u>273,143</u>	<u>354,759</u>	<u>450,362</u>

Comparison of consolidated statement of financial position of the Group as at 31 December 2025 and 2024

We noted from the 2025 Annual Report, total assets of the Group amounted to approximately HK\$321.4 million as at 31 December 2025, representing a decrease of approximately 18.6% as compared to approximately HK\$395.0 million as at 31 December 2024. Such change was attributable to (i) decrease in deposits, prepayments and other receivables from approximately HK\$62.5 million as at 31 December 2024 to approximately HK\$6.1 million as at 31 December 2025; (ii) decrease in property, plant and equipment from approximately HK\$226.0 million as at 31 December 2024 to approximately HK\$209.0 million as at 31 December 2025; and (iii) decrease in bank and cash balances from approximately HK\$17.8 million as at 31 December 2024 to approximately HK\$5.2 million as at 31 December 2025.

Total liabilities of the Group amounted to approximately HK\$48.2 million as at 31 December 2025, representing an increase of approximately 19.7% as compared to approximately HK\$40.3 million as at 31 December 2024. Such change was mainly due to increase in trade payables from approximately HK\$10.3 million as at 31 December 2024 to approximately HK\$17.4 million as at 31 December 2025.

Comparison of consolidated statement of financial position of the Group as at 31 December 2024 and 2023

We noted from the 2024 Annual Report, total assets of the Group amounted to approximately HK\$395.0 million as at 31 December 2024, representing a decrease of approximately 23.6% as compared to approximately HK\$517.1 million as at 31 December 2023. Such change was attributable to (i) decrease in deposits, prepayments and other receivables from approximately HK\$135.8 million as at 31 December 2023 to approximately HK\$62.5 million as at 31 December 2024; (ii) decrease in inventories from approximately HK\$57.5 million as at 31 December 2023 to approximately HK\$35.1 million as at 31 December 2024; (iii) decrease in trade receivables from approximately HK\$42.6 million as at 31 December 2023 to approximately HK\$35.0 million as at 31 December 2024; (iv) decrease in property, plant and equipment from approximately HK\$231.2 million as at 31 December 2023 to approximately HK\$226.0 million as at 31 December 2024; and (v) decrease in deposits for acquisition of property, plant and equipment from approximately HK\$10.3 million as at 31 December 2023 to approximately HK\$3.9 million as at 31 December 2024.

Total liabilities of the Group amounted to approximately HK\$40.3 million as at 31 December 2024, representing a decrease of approximately 39.7% as compared to approximately HK\$66.7 million as at 31 December 2023. Such change was mainly due to (i) decrease in trade payables from approximately HK\$15.9 million as at 31 December 2023 to approximately HK\$10.3 million as at 31 December 2024; (ii) decrease in accruals and other payables from approximately HK\$11.0 million as at 31 December 2023 to approximately HK\$3.4 million as at 31 December 2024; and (iii) decrease in bank borrowings from approximately HK\$37.6 million as at 31 December 2023 to approximately HK\$25.3 million as at 31 December 2024.

(2) Background and terms of the Amendment Deed

Reference is made to the Original Deed of Non-Competition entered into by Futong China (being the Controlling Shareholder and the Covenantor) and the Company on 13 October 2016, as amended by a supplemental deed dated 23 June 2017, pursuant to which Futong China has unconditionally and irrevocably given the non-competition undertakings in favour of the Company save as otherwise permitted under the Original Deed of Non-Competition.

Pursuant to the Original Deed of Non-Competition, the Controlling Shareholders have irrevocably and unconditionally, jointly and severally, undertaken to the Company (for itself and on behalf of other members of the Group) that he/it will not, and will procure that his/its close associates (except members of the Group) will not directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company (except through any member of the Group), among other things, carry on, participate, invest or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether or not for profit, reward or otherwise) any of the following business (“**Controlling Shareholders’ Restricted Business**”):

- sales or manufacturing of optical fibers, optical fibers cables, optical cable cores and other similar products (excluding optical fibers preforms) (the “**Relevant Optical Communication Products**”) in Hong Kong and the ASEAN; and
- any other business in Hong Kong and the ASEAN from time to time conducted, engaged in or invested in by any member of the Group or which the Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, engage in or invest in.

Details of the Original Deed of Non-Competition are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings” in the Prospectus.

Over 9 years have passed since the Original Deed of Non-Competition was executed. On 13 April 2026, the Company and Futong China entered into the Amendment Deed to amend certain terms of the Original Deed of Non-Competition, having considered the necessity to further clarify and amend the relevant terms of the Original Deed of Non-Competition in order to allow the Group to expand its manufacturing and sales operations of optical fiber preforms and optical fibers into the PRC. Meanwhile, Futong China Group will remain restricted from competing in the Group's established Hong Kong and ASEAN markets, maintaining a clear business delineation outside the PRC market to protect the interest of the Group and its shareholders.

The Proposed Amendments shall take effect upon all necessary approvals required for the Company to enter into the Amendment Deed (including but not limited to authorizations, consents or approvals from the board of directors, shareholders (including approval of the Independent Shareholders) or any third parties (if applicable)) have been obtained and remain valid (the "Conditions Precedent").

If any of the Conditions Precedent is not fulfilled on or before 30 June 2026 (which has been subsequently extended to 31 July 2026 upon agreement in writing between the Company and Futong China on 25 June 2026) or such later date as may be agreed by the Company and Futong China, the Amendment Deed shall become null and void in all respects and cease to have any effect whatsoever; and no party to the Amendment Deed shall have any claim against the other party.

Clause 3.3 of the Original Non-Competition Deed shall be amended by adding the following content, which is underlined and italicised:

"In this deed, "Controlling Shareholders' Restricted Business" means any activity or business that competes (or is reasonably likely to compete), directly or indirectly, with:

- (a) commercial activities involving the sale or manufacture of optical fibers, optical cables, optical cable cores, and other similar products (excluding optical fiber preforms) (collectively, "Relevant Optical Communication Products") in the Southeast Asia region; and*
- (b) any other business that any member of the Group carries on, engages in, or invests in from time to time in the Southeast Asia region, or that the Company has otherwise announced its intention to carry on, engage in, or invest in by way of a publication on the website of the Stock Exchange.*

For the avoidance of doubt, Futong China, being the Covenantor, acknowledges that the Company has carried out or will carry out activities or businesses in relation to the sales or manufacturing of the Relevant Optical Communication Products in the PRC. The "Restricted Business of Covenantor" under this Deed shall exclude any of its activities or businesses in the PRC. That is, both the Covenantor and the Company may carry out activities or businesses in relation to the sale or manufacture of the Relevant Optical Communication Products in the PRC."

Effect of the Proposed Amendment:

- PRC market: Becomes a “shared territory” where both Group and Futong China Group can co-exist.
- Hong Kong and ASEAN market (note): Remains the exclusive territory of the Group (Futong China Group remains restricted).

Note: It represents the Association of Southeast Asian Nations, whose membership consists of Thailand, Malaysia, Indonesia, the Philippines, Singapore, Brunei, Vietnam, Lao P.D.R., Myanmar and Cambodia.

Save as disclosed above, there is no other change to the other provisions of the Original Deed of Non-Competition. As at the Latest Practicable Date, save for the sales of optical fiber preforms to Transtech by Futong China Group (please refer to the Company’s announcements dated 16 January 2026 and 26 June 2026 for the details), the Controlling Shareholders had not engaged in sale or manufacturing of optical fiber preforms outside the PRC. Following the Proposed Amendment, both the Controlling Shareholders and the Company may engage in sale or manufacturing of optical fiber preforms in the PRC and the Southeast Asia region.

(3) Reasons for Entering into the Amendment Deed

The primary rationale for amending the Deed of Non-Competition is the urgent need for the Group to enter the PRC market to ensure its continued survival and future growth. The Group’s original business model, which is restricted to Hong Kong and the ASEAN region, is no longer viable, as evidenced by its financial performance over the past several years. The Amendment Deed removes the contractual restriction, while the Acquisition of the Target Company (which indirectly holds a 51% equity interest in Hangzhou Company) provides the Group with an immediate production base in the PRC, equipped with operating production lines for optical fiber preforms and optical fiber. The Amendment Deed grants permission for entry, whereas the Acquisition provides the operational foundation for implementation. Taken together, the Amendment Deed and the Acquisition address both the contractual and operational prerequisites necessary for the Group to access the PRC market.

(i) Operational challenges and significant financial downturn of the Group’s existing business

According to the 2025 Annual Report, the Company’s revenue decreased to approximately HK\$96.2 million during the year ended 31 December 2025 from approximately HK\$148.0 million during the same period in 2024. The gross loss and net loss during the year ended 31 December 2025 amounted to approximately HK\$5.2 million and HK\$98.5 million, respectively. The reasons for the decrease in the Company’s revenue are mainly due to the net effect of (i) the sales of optical fiber cables to one customer in Thailand decreased approximately HK\$33.3 million from

approximately HK\$35.2 million to approximately HK\$1.9 million and (ii) the aggregate sales of optical fiber cable to international customers decreased HK\$20.3 million from approximately HK\$58.0 million to HK\$37.7 million. During the financial year ended 31 December 2025, Futong Thailand experienced a contraction in sales across its key international markets, namely Malaysia, the Philippines, Myanmar, Indonesia, Laos, Oman, Germany, the United Kingdom, and Greece. This resulted in an aggregate decrease in international sales of approximately HK\$20.3 million. This downturn is largely attributable to aggressive price competition from PRC exporters and competitors who have established low-cost manufacturing operations in the PRC.

Optical fiber preforms serve as the foundational parent material; these high-purity cylindrical glass rods are meticulously engineered to determine the ultimate optical and mechanical properties of the final product. Through a process of high-temperature drawing, these preforms are stretched into optical fibers – ultra-thin strands of glass or plastic that act as the core light-transmitting medium for data transmission. While the bare fiber is functional in principle, it is physically fragile and requires protection for real-world deployment. Hence, optical fibers are bundled, buffered, and sheathed to form optical fiber cables, which integrate strength members and protective jacketing to withstand environmental stresses and installation handling.

The Company operates through two wholly-owned subsidiaries: Futong Group Communication Technology (Thailand) Co., Ltd. (“Futong Thailand”) in Thailand and Transtech Optical Communication Company Limited (“Transtech”) in Hong Kong.

Futong Thailand’s operation performance

Futong Thailand specializes in the manufacturing and sale of optical fiber cables, cable cores, and related products.

During the two years ended 31 December 2025, Futong Thailand suffered from severe underutilization. The utilization rate for optical fiber cables and cable cores declined from 37.8% in 2024 to 24.3% in 2025, according to the Company’s 2025 annual report. The decline in Futong Thailand’s utilisation rate and its revenue for optical fiber cables and cable cores was attributable to a confluence of demand-side and cost-side pressures. On the demand side, Futong Thailand’s core export markets, principally in the ASEAN region, experienced increasing saturation as broadband infrastructure rollout programmes matured, tempering the pace of new fiber cable deployment and, by extension, customer offtake. On the cost side, Futong Thailand’s competitiveness was structurally constrained by its existing procurement model. Since its establishment, and given the absence of optical fiber preform manufacturing capacity in Hong Kong, Transtech has been required to source preforms from the PRC. Optical fiber produced by Transtech was then supplied to Futong Thailand for onward cable manufacturing – a multi-step procurement model that inevitably carried

higher logistics and production costs relative to the integrated, low-cost operations of PRC-based competitors. This cost disadvantage proved particularly acute in an environment of declining market prices, as Futong Thailand was unable to match the pricing of more cost-efficient rivals without sacrificing margins, ultimately resulting in the loss of price-sensitive customers and the observed contraction in revenue across its key markets.

In early 2026, the Group's management observed a moderate improvement in demand for both optical fiber and optical cable, driven by the proliferation of AI data centres across Asian markets, which require optical fiber and optical cable as essential infrastructure components. This improving demand environment is already reflected in Futong Thailand's operational metrics, with the average monthly utilisation rate for optical fiber cable recovering moderately during the three months ended 31 January 2026 to approximately 39.7%.

Since the last quarter of 2025, Futong Thailand has also received a growing volume of direct procurement enquiries for optical fiber from its customers in Thailand. Given that optical fiber carries a higher profit margin than optical cable, Futong Thailand has commenced selling optical fiber sourced from Transtech in Hong Kong directly to these customers. Subsequently, these enquiries were converted into actual purchase orders, which have since been fulfilled and completed. Reflecting this improved market environment, Futong Thailand returned to profitability in April 2026. According to its unaudited management accounts for the quarter ended March 31, 2026, it recorded a net profit of approximately THB3.7 million (equivalent to approximately HK\$0.89 million).

To capitalize on growing domestic demand in Thailand and align with customer preferences for non-China manufactured optical fibers, together for the cost benefit for in-house optical fiber and optical cable production, Futong Thailand planned a strategic expansion of its fiber production capabilities in February 2026. As of the Latest Practicable Date, the construction of dedicated fiber manufacturing facilities is progressing as planned. Commercial production is slated to commence following the completion of the facility by the end of 2026.

Transtech's operation and financial performance

Transtech focuses on the manufacturing and sale of optical fibers (a key component for downstream cable production) at its Hong Kong facilities.

Transtech faced severe operational challenges throughout 2024 and 2025, driven by (i) limited growth prospects; and (ii) intense market competition and a sharp decline in average selling prices. This pricing pressure was exacerbated by a significant over-supply of optical fiber products in the PRC domestic market, which led to an influx of low-priced products into the international market. Driven primarily by aggressive capacity expansion among PRC-based manufacturers that significantly outpaced domestic demand growth, the resulting oversupply prompted PRC producers to redirect substantial volumes to international markets at artificially depressed prices, materially undermining the pricing environment for overseas competitors. This influx of low-priced exports placed sustained downward pressure on average selling prices across international markets, eroding the margins of manufacturers – such as Transtech – that operate under comparatively higher cost structures. Unable to match such pricing while maintaining viable margins, Transtech voluntarily suspended its production lines during the periods from January to February 2024, April to October 2024, and March to November 2025, in each case on commercial grounds in response to prevailing market conditions.

According to the 2024 Annual Report and the 2025 Annual Report, Transtech's utilization rate for optical fiber production plummeted from 17.3% in 2023 to just 1.9% in 2025, as production was scaled back to meet limited demand. Transtech had no external sales to independent customers in 2024 and 2025 because PRC overcapacity drove international optical fiber prices below its cost of production, forcing it to suspend operations for most of both years, with the minimal output from its brief operational windows consumed entirely by Futong Thailand. Transtech currently has five production lines in total. Following an earlier production halt, operations resumed in December 2025, with management calibrating the pace of resumption of these five production lines according to prevailing market demand. As at the Latest Practicable Date, two production lines were fully operational and a third was undergoing commissioning and recovery, including the hiring of production staff and the sourcing of raw materials. The resumption timetable for the remaining two production lines had not yet been determined, as market demand from customers in Hong Kong and the ASEAN markets was not expected to be sufficient to support the full resumption of all five production lines.

While the Group's optical fibre production facilities are not fully utilised, the Directors consider that the entry into the Amendment Deed and the Acquisition Agreement are in the interest of the Group and the Shareholders as the Group does not

own any optical fibre preform production capacity, which is vital to its competitiveness. The Acquisition is therefore important in enabling the Group to secure its own optical fibre preform production capacity.

(ii) Saturation of Core Markets and Limited Growth Prospects in Hong Kong and ASEAN

Hong Kong

The Hong Kong optical fiber cable market has reached a stage of structural maturation, leaving minimal room for incremental demand growth. According to the Office of the Communications Authority (OFCA), as at February 2025, there were approximately 2.99 million registered fixed broadband subscriptions in Hong Kong, with 97.1% of households using fixed broadband services. The local FTTH/B residential unit coverage rate has reached 92.8%, and Hong Kong ranked fifth out of 86 economies in terms of FTTH/B household penetration according to a report published by the Fibre to the Home Council Europe in 2025. With penetration approaching saturation at these levels, incremental demand for new optical fiber cable deployment in Hong Kong is structurally limited.

ASEAN – Near-Complete 5G and Fiber Rollout

Following approximately five years of intensive 5G and fiber infrastructure development across the ASEAN region, major markets have largely completed their primary network buildout phases, resulting in a significant reduction in new cable procurement demand. The country-by-country situation is as follows:

- Thailand: According to the GSMA ‘Mobile Economy Asia Pacific 2024’ report, Thailand’s 5G population coverage achieved approximately 89% in 2023. Driven by successive spectrum auctions administered by the National Broadcasting and Telecommunications Commission (NBTC), coverage is projected to reach 99% by 2025. As the national network rollout approaches maturation, the demand for new optical fiber cable deployment has entered a period of structural decline, shifting from aggressive expansion to localized optimization.
- Malaysia: According to JENDELA (Jalinan Digital Negara) progress reports published by Malaysian Communications and Multimedia Commission (MCMC), Malaysia successfully concluded Phase 1 by surpassing its fiber targets, reaching 7.74 million premises and achieving 96.92% 4G population coverage. As the programme transitions into Phase 2 – targeting 100% coverage in populated areas by year-end 2025 – the infrastructure landscape is shifting toward maturation. Consequently, following the aggressive front-loaded deployment of Phase 1, the market

for new optical fiber cable procurement is projected to experience a significant deceleration as operators pivot toward network optimization and wireless integration for remote connectivity.

- Indonesia: According to GSMA Intelligence, the research and data arm of the GSMA – the global industry body representing over 1,000 mobile operators and technology companies worldwide – Indonesia's fixed broadband household penetration remains at approximately 20% to 22%, and the country continues to operate predominantly on a 4G network infrastructure, with 5G population coverage remaining below 20% as of 2024. Given Indonesia's vast archipelagic geography, the return on investment for extensive fibre optic network buildout is relatively low, and the government has yet to announce an ambitious near-term investment programme specifically targeting further fibre expansion. Accordingly, incremental demand from Indonesia for optical fibre cables is expected to remain limited in the near to medium term. While a material uplift in demand remains possible in the longer term, any such recovery would be contingent on a definitive shift in government policy and the announcement of a committed national fibre investment programme, both of which remain uncertain at this stage.

(iii) The Company's intention regarding its operations in Hong Kong and ASEAN markets upon the Completion

In recent years, the Group has navigated a challenging landscape characterized by stagnant growth and severe price erosion. This pressure was primarily driven by an over-supply of optical fiber in the PRC. The industry has been characterized by a structural supply-demand mismatch in recent years, driven by a rapid capacity build-out in China that decoupled from domestic demand. Facing a saturated domestic market, PRC-based manufacturers pivoted to aggressive export strategies to offload surplus inventory. This influx of high-volume, low-priced supply materially undermined global pricing benchmarks and placed significant margin pressure on international producers during this period.

Notwithstanding the oversupply conditions and intense pricing competition that have characterised the PRC optical fibre market in recent years, the Board believes that the strategic rationale for expanding into the PRC market, upon the Completion, remains compelling and is grounded in a fundamental shift in market dynamics. Since 4Q of 2025, the PRC optical fibre market has entered a structural upcycle. Critically, the Group's expansion into the PRC market will enable the Enlarged Group to secure a stable, cost-optimised upstream supply of optical fibre preforms through Hangzhou Company, thereby transitioning the Enlarged Group to a vertically integrated model and materially reducing its exposure to third-party procurement costs and market volatility. The Board is therefore of the view that the timing of the Enlarged Group's

PRC expansion, coinciding with the new sustainable demand driven by the explosive build-out of AI-specific data centers, positions the Enlarged Group to capture the benefit of recovering fibre prices while simultaneously strengthening the cost competitiveness of its existing business operations.

Transtech resumed normal production operations in December 2025. According to CRU Group's Optical Fibre & Cable Market Outlook (November 2025), AI-driven data centre investment emerged as the dominant growth driver in the global optical fiber and cable market in 2025. Driven by a recovery in global optical fiber demand, the Company moved swiftly to capitalise on emerging market opportunities – in the first quarter of 2026, Transtech not only continued supplying optical fiber to its Thailand operations for cable manufacturing, but also commenced direct sales to external customers in Hong Kong, meaningfully broadening its customer base and diversifying its revenue streams. Looking ahead, as production stabilises, Transtech is well-positioned to scale up output through the procurement of preforms from Hangzhou Company under the Group's vertically integrated model, which is expected to drive supply chain efficiencies, lower input costs, and reinforce the Group's competitiveness across both domestic and international markets.

Upon the Completion, the Group intends to optimize its supply chain by allocating optical fiber output from Hangzhou Company and Transtech to Futong Thailand. By internalizing this upstream supply, Futong Thailand will benefit from the PRC-based production at Hangzhou Company, which operates with a significantly lower cost structure than available third-party alternatives, which will materially reduce input costs, directly enhancing Futong Thailand's manufacturing margins.

While Futong Thailand's optical fiber production facility was still under construction as of the Latest Practicable Date, the Group has a clear and well-defined roadmap toward full vertical integration. Upon the commencement of commercial production, currently targeted for 2027, Futong Thailand's facility is expected to operate at an initial production capacity comparable to that of Transtech's existing operations in Hong Kong. Under this integrated model, Hangzhou Company will supply cost-competitive preforms to Futong Thailand for production of optical fibers, subsequently utilised for cable manufacturing or sold directly to customers. By establishing a fully vertically integrated value chain – enabling seamless oversight from upstream optical fiber preform fabrication through to downstream optical fiber drawing and optical cable assembly – the Enlarged Group secures end-to-end control of the production process. This structural alignment eliminates intermediary dependencies, driving superior cost-efficiencies and fortifying supply chain resilience for its global export markets.

(iv) The Group's Post-Completion PRC Business Model and Relationship with Futong China

Upon the Completion, the Group will refine Hangzhou Company's operational framework to facilitate full vertical integration with the Group's Hong Kong and Thailand subsidiaries.

Although Hangzhou Company will continue to leverage Futong China's partnership for certain telecommunications operator bids, it is dedicated to diversifying its client base through direct-to-market initiatives. This strategy focuses on capturing demand from the PRC's emerging technology sectors, including AI infrastructure and data center hubs.

To capitalize on these business opportunities, Hangzhou Company has established a dedicated internal marketing and sales team, under the direct supervision of the chairman and general manager of Hangzhou Company. This team, comprising two seasoned professionals who have been with Hangzhou Company for over three years, is responsible for developing and managing direct commercial relationships with customers. These operations are conducted entirely independently of the collaborative bidding arrangements facilitated through Futong China. To identify procurement opportunities and maintain key accounts, the team conducts regular site visits to prospective and recurring customers and actively participates in industry exhibitions and trade fairs.

The effectiveness of this independent sales capability is demonstrated by the three months ended 31 March 2026, during which approximately 71.4% of Hangzhou Company's revenue was generated from sales to not less than 10 external independent customers, including (i) manufacturers specializing in manufacturing and technology solutions for the power, optical fiber, and telecommunications sectors; and (ii) trading companies for the power, optical fiber, and telecommunications sectors, all secured through its own internal marketing efforts without any reliance on Futong China. Following the Completion, Hangzhou Company's revenue is expected to be derived in broadly equal proportions across three distinct tiers: (i) Export Sales, serving the Group's existing international markets; (ii) Domestic Direct Sales, targeting independent end-users in the PRC; and (iii) Collaborative Bidding, continuing the historical practice of partnering with Futong China to bid for projects from major PRC telecommunications operators. Under this three-tiered structure, sales to Futong China (excluding the Group) are expected to account for no more than approximately one-third of Hangzhou Company's total revenue – a threshold expressly adopted as a deliberate policy ceiling to proactively limit the Group's long-term revenue reliance on Futong China Group. As Hangzhou Company continues to build out its independent sales network and deepen direct relationships with domestic end-users, the Board intends to progressively reduce the proportion of revenue attributable to Collaborative Bidding, with a corresponding increase in the contribution from

Domestic Direct Sales and Export channels. Accordingly, having regard to the scale and depth of the PRC market, which is sufficient to accommodate the concurrent operations of both the Group and the Futong China Group, the Directors are of the view that, following the Completion, the Group's PRC business will not be materially reliant on Futong China Group.

(v) The segmentation of customer bases of Futong China Group and Hangzhou Company upon the Completion

In light of the factors outlined below – and specifically the conflict-mitigation measures to be implemented by the Group and Futong China Group upon Completion – the Directors believe that any potential conflict of interest is immaterial. This assessment is based on the fact that Hangzhou Company and Futong China Group (excluding Hangzhou Company) operate in distinct customer segments with no significant overlap:

(i) Futong China Group

To the best knowledge to the Directors, Futong China Group (excluding the Group and Hangzhou Company) operates in the PRC, specializing in optical fibre, optical cable, and metal wire manufacturing. During the three years ended 31 December 2025, Futong China derived most of its revenue from supplying optical fiber and optical cables to China's major three state-owned telecommunications operators rule, namely China Mobile Communications Group Co., Ltd., China United Network Communications Group Co., Ltd. and China Telecommunications Corporation, through centralised procurement programmes.

(ii) Hangzhou Company

In 2025, Hangzhou Company's actual production capacity was approximately 135 tons for optical fiber preforms and 850,000 core-kilometers for optical fibers. As noted above, this production scale remains significantly smaller than the aggregate capacity of the Futong China Group across both product categories.

Upon the Completion, Hangzhou Company will implement a three-tier sales model: (i) exporting optical fibers to the Group for downstream cable production in Thailand and Hong Kong; (ii) selling directly to domestic customers outside of the major telecommunications operator segment; and (iii) partnering with Futong China to bid for state-owned telecommunications operator tenders. Under this third arrangement, Hangzhou Company will supply the optical fibers to be processed into cables by Futong China for final delivery to the operators.

- (iii) the conflict of interest measures to be adopted by the Group and Futong China Group upon Completion

For the three-year period ending 31 December 2025, the Futong China Group derived the majority of its revenue from centralized procurement programs managed by China's three major state-owned telecommunications operators. To the best of the Directors' knowledge, Hangzhou Company is unable to participate independently in these tender processes for two distinct and mutually reinforcing reasons:

- First, these operators – as major state-owned enterprises – mandate stringent pre-qualification criteria, emphasizing substantial production scale and a proven track record of large-scale contract fulfillment. Hangzhou Company's current capacity and commercial standing fall materially below the thresholds required for independent eligibility; and
- Second, and more fundamentally, there is a misalignment between Hangzhou Company's output and operator demand. These telecommunications providers primarily procure finished optical fiber cables—the end-product of the value chain. Although the Futong China Group has production capacity for optical fibre preforms, these preforms are produced primarily for the internal production of optical fibre within the Futong China Group, rather than for direct external sale to customers. In contrast, Hangzhou Company's operations are focused exclusively on upstream and intermediate inputs, specifically optical fiber preforms and optical fibers. Lacking the in-house capability to manufacture finished cables, Hangzhou Company cannot satisfy operator procurement requirements on a standalone basis, regardless of its qualification status.

Based on the above reasons and factors, the Directors consider that there is no direct competition between Futong China Group and Hangzhou Company in the PRC market. Nevertheless, in order to avoid any potential competition between Futong China Group and Hangzhou Company in the future, upon Completion the following conflict of interest measures will be adopted by the Group and the Futong China Group in respect of new business opportunities in the PRC:

1. the directors and senior management of the Futong China Group are restricted from participating in the management of any competing business within the Group, and vice versa. As at the Latest Practicable Date, save for Ms. Sheng Lingfei, being the executive Director of the Company and board secretary of Futong China (who is not involved in the day-to-day operations of the Futong China Group), none of the Directors or members of senior management of the Company or Hangzhou Company hold any position in the Futong China Group;

2. Futong China Group undertakes that it will not intervene in the decision-making of Hangzhou Company and the Group in any manner that would prejudice the interests of the Company and its Shareholders; and, where any situation involving a potential conflict of interest arises between the Futong China Group and the Group, any Director who is nominated by, or otherwise associated with, Futong China Group shall abstain from voting on the relevant resolution(s) at the relevant meeting(s) of the Board; and
3. Futong China Group shall procure that any potential business opportunity relating to the sale of optical preform, optical fiber and optical cable to customers (the “**Controlling Shareholder’s New Business Opportunity**”) identified by, or offered or made available to, the Futong China Group is first referred to the Group. Futong China Group shall give written notice to the Company setting out details of the relevant Controlling Shareholder’s New Business Opportunity, including but not limited to the identity of the potential customer(s), product specifications and pricing, and the proposed delivery timetable. Upon receiving such notice, the Company shall seek approval from a committee comprising only independent non-executive Directors who have no interest (whether actual or potential, direct or indirect) in the relevant Controlling Shareholder’s New Business Opportunity as to whether the Company shall pursue such opportunity. The Independent Board Committee shall take into account all relevant factors in considering whether the Company shall pursue the Controlling Shareholder’s New Business Opportunity, including whether the Group has sufficient resources and capacity to do so with reasonable profitability, and, if appropriate and necessary, may appoint independent financial advisers, legal advisers or other professional advisers to assist in the decision-making process. The Independent Board Committee shall, within 20 Business Days of receipt of such notice (or such longer period as the parties may agree in writing), inform Futong China Group in writing on behalf of the Company of its decision as to whether the Company will pursue the Controlling Shareholder’s New Business Opportunity. Futong China Group shall be entitled (but not obliged) to pursue such Controlling Shareholder’s New Business Opportunity if the Independent Board Committee declines such opportunity by written notice, or if the Independent Board Committee fails to inform Futong China Group of its decision within the prescribed timeframe.

(vi) Rationale for Redefining Competitive Boundaries and Entering the PRC Market

AI and data centers have taken over from older sources of demand as the main drivers of optical fiber growth. Much of this demand now comes from the build-out of large language models (LLMs) – the type of AI system behind tools such as ChatGPT,

which require vast data centers and large volumes of optical fiber to connect them. As a result, optical fiber growth now depends largely on how quickly these AI systems are developed in the U.S. and China. While markets like Hong Kong and ASEAN market are showing improvement, they currently lack the capital and technical maturity of the PRC and U.S. hubs. To capitalize on the most substantial global opportunities, it is in the Company's best interest to pivot toward the PRC market, ensuring we capture high-value demand while regional markets like ASREAN market continue to develop.

The Directors believe that the strict geographical restrictions imposed by the Original Deed of Non-Competition – which barred the Group from the PRC – now present a significant risk to the Group's commercial viability and long-term sustainability. Consequently, amending these competitive boundaries is a strategic necessity. This realignment allows the Group to enter the vast PRC market while simultaneously safeguarding its established presence in Hong Kong and ASEAN. Upon the Completion, the Group is able to spearhead its PRC expansion through the Hangzhou Company, focusing on the production and sale of optical fibers and optical fiber preforms.

By reclassifying the PRC as a 'shared territory,' the Group can coexist and compete alongside Futong China Group. This transition enables the Group to leverage lower production costs and a resilient local supply chain, positioning it to capture robust, long-term domestic demand driven by three key pillars: (i) AI Data Center Infrastructure; (ii) 5G Deep Coverage and Network Densification; and (iii) the continued expansion of fiber-to-the-home ("FTTH") and Broadband Infrastructure.

(i) AI Data Center Infrastructure

The rapid expansion of artificial intelligence has created strong demand for optical fiber in data centres worldwide. AI applications require the simultaneous processing of enormous volumes of data at very high speeds – a demand that copper wiring is ill-equipped to meet.

Copper wiring degrades over distance, generates significant heat, and is susceptible to signal interference. These shortcomings become critical in AI data centres, where thousands of servers and processors must communicate with one another at extremely high speeds and with minimal delay.

Optical fiber transmits data as pulses of light, enabling far greater bandwidth, longer transmission distances, and virtually no signal loss. It also runs cooler and is considerably lighter than copper, making it better suited to the high-density, power-intensive environment of modern AI data centres. As a result, leading technology companies are increasingly specifying optical fiber – rather than copper wire – as the standard cabling medium for their AI infrastructure.

The rapid construction of AI-specific data centers has emerged as a transformative source of fiber consumption. The high-density requirements of a 10,000-GPU cluster necessitate tens of thousands of core kilometers of optical fiber for internal interconnection – a fiber intensity estimated to be 3 to 10 times higher than that of traditional data centers.

As major hyperscalers accelerate their capital expenditures, data center-related fiber demand is projected to grow from approximately 5% of global consumption in 2025 to 11% by 2029 (Source: CRU data cited in the Circular). Demand for high-end specialty fibers essential for data center interconnects, such as G.654.E low-loss fiber, has been particularly explosive. This transition toward AI-centric architecture is creating a massive and sustainable long-term demand floor for both optical fiber and optical fiber preforms.

(ii) 5G Deep Coverage and Network Densification

While macro-level 5G rollout in ASEAN is near completion (which has saturated the Group's existing core market), the PRC's 5G deployment is at a different and more expansive stage. The conventional telecommunications segment in the PRC, encompassing 5G deep coverage, FTTR (Fiber to the Room), and gigabit network construction, continues to provide a stable and ongoing demand baseline for optical fiber and preforms. Major state-owned telecommunications operators continue to conduct large-scale annual procurement tenders for optical fiber cables, representing a substantial and predictable domestic demand source that Hangzhou Company is positioned to serve through the collaborative bidding model with Futong China.

(iii) The continued expansion of FTTH and Broadband Infrastructure

The PRC's FTTH programme, while more mature than the AI data center driver, continues to generate recurring demand for optical fiber cables as part of ongoing network maintenance, upgrades, and densification to support gigabit broadband policies. The PRC government's continued commitment to broadband infrastructure investment underpins this demand segment as a stable baseline.

Critically, the proposed amendment is unilateral in favor of the Group. It secures the Group's right to enter the PRC market while maintaining the existing non-competition protections that prevent Futong China Group from entering the Hong Kong and ASEAN markets. This arrangement allows the Group to pivot toward a sustainable growth model and address going concern risks without sacrificing its regional dominance. This strategic pivot is designed to restore shareholder value and ensure the Group's going concern by tapping into a new growth engine, all while maintaining procedural safeguards and managing potential conflicts through the Listing Rules' framework for continuing connected transactions.

The Directors believe that while the Amendment Deed is not entered into during the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and its Shareholders as a whole, and is on normal commercial terms.

In assessing whether the terms of the Amendment Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have considered the following principal factors, with particular regard to the effect of the Proposed Amendment.

We have reviewed the financial performance of the Group for FY2023, FY2024 and FY2025 which the revenue of the Group has decreased from approximately HK\$174.2 million in FY2023 to approximately HK\$96.2 million in FY2025 while the loss for the year has increased from approximately HK\$64.2 million in FY2023 to approximately HK\$98.3 million in FY2025. We consider that the existing business environment of the Group is tough and it is in the interests of the Company and its Shareholders for the Group to explore new business opportunities.

We have discussed with the Management in respect of Amendment Deed which will provide an opportunity to the Group to participate in the PRC market. Considering the original business model confined to Hong Kong and ASEAN is no longer viable, we concur with the Directors' view that the participation in the PRC market will enable the Group to leverage lower production costs, secure a stable supply chain, and capture the surging domestic demand driven by 5G, FTTH, and AI data center infrastructure in the PRC.

In addition, we noted from the 2025 Annual Report that the Group's total revenue in Thailand decreased from approximately HK\$85.7 million in FY2024 to HK\$81.5 million in FY2025, representing a decrease of approximately 4.9%. As the Group's operations are primarily located in Thailand, where revenue of HK\$81.5 million in FY2025 represents approximately 84.7% of the Group's total revenue among all geographical locations (including the PRC, Germany, Greece, Indonesia, Korea, Laos, Malaysia, Myanmar, the Philippines, and the United Kingdom).

In evaluating the strategic rationale for the Group's entry into the PRC market, we have conducted research on the prevailing market conditions for optical fibers and preforms. According to the consumer price index and producer price index data for March 2026 announced by the Department of Urban Statistics of the National Bureau of Statistics of China, prices in the optical fiber manufacturing industry rose by 76.1% period-on-period from February 2026 to March 2026¹. We further noted from the announcement that this increase in price reflects positive changes in the underlying supply-demand dynamics for industrial products.

¹ Data announced by Department of Urban Statistics, National Bureau of Statistics of China (source: https://www.stats.gov.cn/sj/sjjd/202604/t20260410_1963265.html)

We have further conducted market research in relation to the reasons for the increase in prices in the optical fiber manufacturing industry. We noted from the publication of the Zhejiang Provincial Economic Information Center on 12 May 2026 that the price increase is primarily attributable to a surge in computing power infrastructure construction, which has significantly boosted demand for optical fiber as a fundamental physical medium for data transmission, which represents a favourable market environment for the Group's proposed entry into the PRC.

This positive market outlook is further supported by the scale of the PRC market. According to the publication from the Zhejiang Provincial Economic Information Center on 12 May 2026, we noted that the PRC accounts for more than half of global optical fiber shipments, with CRU data indicating that global shipments reached 662 million fiber-kilometers in 2025, representing a year-on-year increase of 15.3% and significantly exceeding the prior forecast of 587 million fiber-kilometers. The PRC contributed 372 million fiber-kilometers, an increase of 7.5% year-on-year, constituting 56.3% of worldwide shipments.

It is further noted from our independent market research that with reference to International Market Analysis Research and Consulting Group's ("IMARC Group") report titled "China Fiber Optics Market Report by Cable Type (Single Mode, Multi-Mode), Optical Fiber Type (Glass, Plastics), Application (Telecom, Oil and Gas, Military and Aerospace, BFSI, Medical, Railway, and Others), and Region 2026-2034"², China fiber optics market size reached USD1.2 billion in 2025. Looking forward, IMARC Group expects the market to reach USD3.2 billion by 2034, exhibiting a growth rate (CAGR) of 10.88% during 2026 to 2034.

Meanwhile, we further conducted our independent market research that with reference to 6Wresearch & Database Services Private Limited's ("6Wresearch") report titled "Thailand Fibre Optic Cables Market (2026-2032) | Industry, Size, Forecast, Companies, Value, Trends, Revenue, Analysis, Share, Growth & Outlook"³, the Thailand fibre optic cables market was estimated at USD192 million in 2025 and is projected to reach USD219 million by 2032, growing at a CAGR of 2.7% from 2026 to 2032.

² Report published on IMARC Group
(source: <https://www.imarcgroup.com/china-fiber-optics-market>)

³ Report published on 6Wresearch
(source: <https://www.6wresearch.com/industry-report/thailand-fibre-optic-cables-market-2020-2026>)

In comparing the long-term growth trajectories of these two key markets, it is evident that the market in the PRC presents a substantially stronger growth outlook than the ASEAN region, particularly Thailand where the Group's operations are primarily concentrated. The market in the PRC is projected to grow from USD1.2 billion in 2025 to USD3.2 billion by 2034, representing a CAGR of 10.88%, whereas the Thailand market is expected to grow from USD192 million to only USD219 million over a similar period, representing a CAGR of a mere 2.7%. This represents a growth differential of approximately 8.2% in favour of the PRC, indicating that the PRC market is growing at more than four times the rate of the Thailand market.

In our assessment, we are of the view that this significant growth differential is a critical factor in assessing the strategic rationale for the Amendment Deed. Given that the Thailand market currently accounts for approximately 84.7% of the Group's total revenue, this disparity in growth rates, with the PRC market projected to grow at a CAGR of 10.88% compared to Thailand's CAGR of only 2.7%, demonstrates that the Group's continued reliance on the ASEAN market, particularly Thailand, would expose the Group to a market with limited growth potential, while the PRC market offers a substantial and rapidly expanding addressable market.

In view of the above, we consider that the long-term growth trend of the PRC market is fundamentally stronger and more sustainable than that of the ASEAN markets, particularly Thailand. The Amendment Deed, which removes the contractual restriction that previously prevented the Group from operating in the PRC, is therefore a strategically necessary and justified measure to reposition the Group towards a higher-growth market and reduce its over-reliance on the low-growth ASEAN region.

In view of the above, the significant price increase and demand growth in the PRC optical fiber and preform market, driven by structural supply-demand factors and the expansion of computing infrastructure, demonstrate a market opportunity. The Amendment Deed, by removing the contractual restriction that previously prevented the Group from operating in the PRC, together with the Acquisition which provides the operational foundation through Hangzhou Company's existing production capabilities, positions the Group to participate in this growing market. Accordingly, we consider that the Proposed Amendments are justified and represent a reasonable opportunity to enhance the Group's future development prospects.

After the execution of the Amendment Deed, Futong China Group remains restricted from competing in the Group's exclusive markets of Hong Kong and ASEAN markets which means the Group will not face any competition from Futong China Group even the Hong Kong and ASEAN markets bounce back in future. We consider that the exclusion of Futong China Group to participate in Hong Kong and ASEAN markets will preserve the value of the Group in engaging its existing markets and is in the interests of the Company and its Shareholders.

In assessing whether the Proposed Amendment is on normal commercial terms given that it is entered into with Futong China Group as the Controlling Shareholder, we have considered that the Amendment Deed involves no financial consideration payable by the Group to the Controlling Shareholder, no transfer of any asset from the Group to the Controlling Shareholder, and no change to the Group's principal business, management or control. The Group's exclusive rights in the Hong Kong and ASEAN markets remain fully protected as Futong China Group remains restricted from competing in those territories. The only effect of the Amendment Deed is to remove the previous restriction that barred the Group from entering the PRC market, thereby enabling the Group to pursue new business opportunities in response to its declining financial performance. The Group's operations and competitive position in its core markets remain unchanged, and no material adverse financial or operational impact on the Group is expected to arise from the entering into the Amendment Deed. Therefore, we are of the view that the terms are on normal commercial terms.

In light of the foregoing, we concur with the Directors' view that the Proposed Amendments will not adversely affect the Group's business or its future development as contemplated under the strategy described above. On the contrary, we concur with the Directors' view that the Proposed Amendments are expected to have a positive impact in safeguarding the interests of future development of the Company in the PRC market and reflect accurately the business plans of the Company. Accordingly, we are of the view that notwithstanding the entering into of the Amendment Deed is not in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole, on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concern.

B. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE ACQUISITION AGREEMENT

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

(1) Principal terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Buyer agreed to purchase, and the Seller agreed to sell the Sale Shares, representing the entire equity interest in the Target Company, which indirectly owned 51% equity interest of Hangzhou Company as at the Latest Practicable Date.

Hangzhou Company operates from its registered premises at 1089 Yucai West Road, Fuchun Street, Fuyang District, Hangzhou, Zhejiang Province, the PRC (浙江省杭州市富陽區富春街道育才西路1089號). The total land area is 59,333 square meters, with a gross floor area of 19,825.5 square meters. As at the Latest Practicable Date, Hangzhou Company maintains one operating production facility at the same address, equipped with eight optical fiber drawing production lines and five optical fiber preform production lines.

Apart from its equity interest in Hangzhou Company, the Target Company has no other subsidiaries or investments as at the Latest Practicable Date.

The following table illustrates the shareholding structure of Hangzhou Company as at the Latest Practicable Date and immediately after Completion, respectively:

Shareholders	As at the Latest Practicable Date <i>% of equity interest</i>	Immediately after Completion <i>% of equity interest</i>
The Seller	51%	–
The Group	–	51%
Futong China	49%	49%

Upon Completion, each of the Target Company and Hangzhou Company will be accounted for as a wholly owned and a non-wholly owned subsidiary of the Company, respectively, and its financial results will be consolidated into the consolidated financial statements of the Group.

Consideration and basis

The parties to the Acquisition Agreement agree that the Consideration for the Sale Shares shall be RMB78,000,000. The Consideration shall be satisfied in full by way of the issuance and allotment of the Consideration Shares by the Company payable upon Completion.

The Consideration of RMB78 million was determined through arm's length commercial negotiations between the Company and the Seller, having regard to the following key factors:

(i) Profit Guarantee

The Directors consider the Profit Guarantee to be the primary and most significant determinant of the Consideration, and the cornerstone of the Board's assessment of its fairness and reasonableness. By committing to a guaranteed minimum profit before tax of Hangzhou Company of RMB50 million for the

first full financial year following Completion, the Seller has provided the Company with a contractually enforceable assurance as to Hangzhou Company's near-term earnings capacity, thereby directly mitigating the downside risk that would otherwise arise from the historical loss-making track record. The Consideration of RMB78 million, assessed against the guaranteed profit before tax of Hangzhou Company of RMB50 million, implies a price-to-guaranteed-earnings multiple of approximately 3.06 times, which the Board considers to be conservative, fair and reasonable in the context of the prevailing industry dynamics and the strategic value of the Acquisition to the Group.

The remaining factors set out below were considered in conjunction with, and in support of, the Profit Guarantee as the primary valuation anchor.

(ii) Historical loss-making financial position

Hangzhou Company recorded net losses for each of the three years ended 31 December 2025, which formed part of the broader context against which the Consideration was negotiated. The historical loss-making track record was duly taken into account and is reflected in the relatively modest level of the Consideration. Critically, however, the Board is of the view that the historical losses are not reflective of Hangzhou Company's prospective earnings capacity, given the material improvement in both operating performance and market conditions that has occurred since the fourth quarter of 2025, as further described below.

(iii) Recent positive performance trend

Hangzhou Company recorded a significant financial turnaround in the first quarter of 2026, reporting an operating profit of approximately RMB35.1 million and a net profit before tax of RMB31.3 million. This performance marks a material reversal from the net losses sustained over the previous three financial years. The Board considers these results a reliable indicator of Hangzhou Company's prospective earnings capacity under current market conditions, providing high confidence that it is well-positioned to meet its Guaranteed Profits targets.

The primary drivers of optical fiber demand have undergone a structural shift, with AI and data center expansion replacing traditional telecommunications as the core catalysts. This evolution is currently dictated by Large Language Model (LLM) development across the U.S. and China. In China, the optical fiber and preform market has transitioned from historic lows to multi-year highs since late 2025. This robust recovery is fueled by surging demand from AI computing and emerging applications, compounded by rigid upstream supply constraints. The price of mainstream G.652.D single-mode fiber – Hangzhou Company's flagship product – bottomed out at a decade-low of approximately RMB 20 per

core-kilometer in Q2 2025, before a modest recovery to RMB 24 in the second half of 2025. However, by late January 2026, prices climbed sharply to the RMB 35-40 range, with the rally accelerating to a market average of RMB 70-90 per core-kilometer by May 2026. Crucially, this trend is driving a “twin-engine” growth cycle: the industry is experiencing a rare synchronization where both unit prices and total sales volumes are scaling rapidly, significantly expanding the overall market size.

To capitalize on these business opportunities, Hangzhou Company has established a dedicated internal marketing and sales team, under the direct supervision of the chairman and general manager of Hangzhou Company. This team, comprising two seasoned professionals who have been with Hangzhou Company for over three years, is responsible for developing and managing direct commercial relationships with customers. These operations are conducted entirely independently of the collaborative bidding arrangements facilitated through Futong China. To identify procurement opportunities and maintain key accounts, the team conducts regular site visits to prospective and recurring customers and actively participates in industry exhibitions and trade fairs.

The effectiveness of this independent sales capability is demonstrated by the three months ended 31 March 2026, during which approximately 71.4% of Hangzhou Company’s revenue was generated from sales to not less than 10 external independent customers, including (i) manufacturers specializing in manufacturing and technology solutions for the power, optical fiber, and telecommunications sectors; and (ii) trading companies for the power, optical fiber, and telecommunications sectors, all secured through its own internal marketing efforts without any reliance on Futong China.

Leveraging this favorable macro environment, Hangzhou Company has returned to near-full production utilization, a sharp contrast to the curtailed output of previous years. The synergy of record-high average selling prices and maximized production volumes resulted in Q1 2026 revenue of RMB85.46 million, which is more than four times its total revenue for the entire 2025 fiscal year. According to operational data from Hangzhou Company, the estimated total sales contract value for the second quarter of 2026 is projected to be at least RMB 90 million. On an annualised basis, this projects to approximately RMB341.82 million, representing a transformative year-on-year revenue increase of approximately 1,502%.

(iv) Potential business synergies arising from the Acquisition

The Acquisition is expected to yield significant strategic and operational synergies, strengthening the Group's competitive position. During the two years ended 31 December 2025 and up to the Latest Practicable Date, Transtech has relied on independent suppliers for optical fiber preforms, with its entire fiber output being consumed internally by Futong Thailand for cable production.

By integrating this upstream link, Transtech and Futong Thailand will leverage Hangzhou Company's cost-efficient production base to reduce its production cost. This serves as a foundation for full vertical integration: once Futong Thailand's drawing facility is commissioned, Hangzhou Company will transition to supplying cost-competitive preforms for localized fiber drawing and cable assembly. This end-to-end model – spanning from preform fabrication to finished cable – will fortify supply chain resilience and sharpen the Group's export competitiveness. Ultimately, these operational synergies generate a strategic premium that far outweighs Hangzhou Company's standalone financial valuation.

(v) Future business prospects of Hangzhou Company and the optical fiber preform and optical fiber industry in the PRC

The Company maintains a highly positive outlook on the future business prospects of Hangzhou Company and the broader PRC optical fiber and preform industry. Since November 2025, the market has undergone a robust upward cycle, rebounding from historic lows to multi-year highs. This momentum is primarily driven by explosive demand from (i) the rapid expansion of AI data centres – which demand optical fiber for high-speed and high-bandwidth data transmission that copper wiring cannot reliably support; (ii) 5G deep coverage and network densification; and (iii) the continued expansion of FTTH and broadband infrastructure. These demand drivers are all converging against an upstream supply base characterized by rigid near-term constraints, as preform capacity expansion typically requires lead times of approximately 1.5 to 2 years. Further details regarding the industry's growth trajectory are set out in the section headed "(C) Reasons for Entering into the Amendment Deed" in the Letter from the Board.

The Company expects this favorable demand-supply imbalance to persist over the near-to-medium term, providing a stable and sustained backdrop for Hangzhou Company's continued profitability and growth well beyond the Profit Guarantee period.

Consideration Shares and the Issue Price

A total of 48,367,000 Shares will be allotted and issued at the Issue Price of HK\$1.85 per Share, which represents:

- i. a discount of approximately 20.6% to the closing price of HK\$2.33 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;
- ii. a discount of approximately 12.2% to the average closing price of approximately HK\$2.11 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares prior to the date of the Acquisition Agreement;
- iii. a premium of approximately 76.5% to the net asset value per Share of approximately HK\$1.05 as at 31 December 2025; and
- iv. a discount of approximately 77.1% to the closing price of approximately HK\$8.08 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Issue Price was arrived at after arm's length negotiations between the Company and the Seller, having regard to: (i) the prevailing market prices of the Shares over the thirty consecutive trading days immediately preceding the date of the Acquisition Agreement, during which the Shares traded within a range of HK\$1.35 to HK\$2.80, with a median price of HK\$1.825; (ii) the Directors' view that the relevant period captures both upward and downward price movements arising from the annual results announcement and subsequent profit warning, which resulted in short-term volatility and a temporary elevation followed by a correction in the Share price, and therefore provides a more balanced and representative reference of recent trading conditions; (iii) the strategic benefit of satisfying the Consideration entirely through the issuance of Consideration Shares, thereby preserving the Group's cash liquidity for operational requirements; (iv) the inclusion of a Lock-up arrangement designed to mitigate downward pressure on the Share price and protect the interests of existing Shareholders. In view of the above, the Board is of the opinion that the Issue Price is fair and reasonable; and (v) the low trading volume and liquidity of the Shares, which the Board considered to provide a reasonable reference for determining the Issue Price. The Consideration Shares represent approximately 16.18% of the existing number of issued shares of the Company as at the Latest Practicable Date and represent approximately 13.92% of the total number of issued shares of the Company as enlarged by the allotment and issuance of the Consideration Shares.

(2) Information on the Target Company and the Hangzhou Company

The Target Company is a limited company incorporated under the laws of Hong Kong and is wholly owned by the Seller. The principal business of the Target Company is investment holding. As at the Latest Practicable Date, the Target Company, through its wholly-owned subsidiaries, indirectly owned 51% equity interest of Hangzhou Company.

Hangzhou Company is primarily engaged in the production and sale of optical fiber preforms – the essential precursor for manufacturing optical fibers – and optical fibers in the PRC. Its products serve both independent customers and Futong China Group, with optical fibers being a key input for the downstream production of optical fiber cables. For the three years ended 31 December 2023, 2024, and 2025, Hangzhou Company's sales of optical fibers to Futong China (excluding the Group) were approximately RMB15.4 million, nil, and RMB6.2 million, respectively. The commercial relationship between the two entities is governed by a collaborative tender model: Hangzhou Company supplies optical fibers to Futong China, which subsequently processes them into optical cables for supply to major state-owned telecommunications operators in the PRC. Consequently, Hangzhou Company's sales to Futong China are entirely demand-driven and contingent upon Futong China successfully securing purchase orders from these operators; the transaction volume is directly dependent on the scale of such orders requiring fiber procurement from Hangzhou Company, if any. In 2025, its actual production capacity of optical fiber preforms were approximately 135 tons, and approximately 850,000 core kilometers of optical fibers, respectively. As at the Latest Practicable Date, Hangzhou Company was held indirectly by the Target Company and Futong China as to 51% and 49% respectively.

Set out below is the key financial information of Hangzhou Company for the past three financial years:

	For the year ended 31 December		
	2023 (audited) RMB('000)	2024 (audited) RMB('000)	2025 (audited) RMB('000)
Revenue	22,094	24,411	21,341
Loss before taxation	208,247	47,164	43,783
Loss after taxation	216,511	47,164	43,783
Total assets	171,388	122,691	91,344
Net assets	111,990	64,826	21,043

While Hangzhou Company saw its revenue grow by 10.5% between FY2023 (RMB22.1 million) and FY2024 (RMB24.4 million), it experienced a 12.7% decrease to RMB21.3 million in FY2025. This downturn was mainly attributable to falling selling prices across the industry, which led to lower revenue from both goods (down 12.2% to RMB19.2 million) and processing services (down 15.9% to RMB2.2 million).

Hangzhou Company recorded gross losses of RMB28.8 million, RMB35.4 million, and RMB32.6 million in FY2023, FY2024, and FY2025 respectively, reflecting a sustained period in which the cost of producing optical fiber and preforms materially exceeded achievable selling prices. The gross loss position deteriorated most significantly from FY2023 to FY2024, widening by approximately RMB6.6 million, before partially recovering in FY2025. The principal driver throughout the reporting period was the capital-intensive nature of optical fiber preform manufacturing, which gives rise to a substantial fixed cost base that does not respond proportionately to changes in revenue. Depreciation of property, plant and equipment charged to cost of sales amounted to approximately RMB8.4 million to RMB8.6 million per annum, with a further RMB0.6 million in right-of-use asset depreciation, and these charges were incurred regardless of production throughput or prevailing market conditions. In FY2024, the gross loss was further exacerbated by elevated raw material costs – principally silicon tetrachloride and related chemical inputs procured at higher prices in prior periods – which drove total cost of sales to approximately RMB59.8 million against revenue of RMB24.4 million. Fiber preform production relies on two key chemical inputs: silicon tetrachloride (SiCl_4), which provides the ultra-pure silica base material that keeps signal loss to a minimum, and germanium tetrachloride (GeCl_4), which is added in precise quantities to fine-tune the core's light-transmitting properties for optimal performance. Although cost of sales declined in FY2025 as input costs moderated and workforce levels were reduced, the savings achieved were insufficient to offset the steeper contraction in revenue over the same period, and the Hangzhou Company remained in a gross loss position throughout all three financial years under review.

The net loss position over the reporting period reflects both the structural challenges evident at the gross loss level and the impact of significant non-recurring items, most prominently in FY2023. The Hangzhou Company recorded net losses of RMB216.5 million, RMB47.2 million, and RMB43.8 million in FY2023, FY2024, and FY2025 respectively. The FY2023 net loss was exceptional in scale, driven predominantly by a one-off, non-cash impairment charge of approximately RMB169.5 million recognised against long-outstanding receivables from related parties, and was written down in full in accordance with the expected credit loss framework under HKFRS 9. A further deferred tax charge of approximately RMB8.3 million, arising from the reversal of previously recognised deferred tax assets, widened the FY2023 net loss beyond the pre-tax position. With these exceptional items not recurring in subsequent years, net losses moderated considerably in FY2024 and FY2025, though they remained meaningful. During both years, the net loss was sustained by the combination of ongoing gross losses, rising finance costs on entrusted loan facilities drawn down to support operations, and the absence of any income tax relief given the uncertainty over future taxable profit generation. Cumulatively, three consecutive years of losses eroded the Hangzhou Company's net asset base from approximately RMB112 million at the close of FY2023 to approximately RMB21 million by the end of FY2025. Please refer to the appendix headed "Appendix IV – MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP" in the Circular for detailed discussion on the financial performance of the Target Company.

Reasons for the Acquisition

The primary reasons for the proposed acquisition of the Target Group, are strategic and multifaceted, aimed at ensuring the long-term survival and growth of the Group. The key rationales are as follows:

- 1. Addressing Critical Challenges in Existing Markets:** According to the Company's annual result announcement for the year ended 31 December 2025, the Company's revenue decreased to approximately HK\$96.2 million during the year ended 31 December 2025 from approximately HK\$148.0 million during the same period in 2024. The gross loss and net loss during the year ended 31 December 2025 amounted to approximately HK\$5.2 million and HK\$98.5 million, respectively. The reasons for the decrease in the Company's revenue are mainly due to the net effect of (i) the sales of optical fibre cables to one customer in Thailand decreased approximately HK\$33.3 million from approximately HK\$35.2 million to approximately HK\$1.9 million and (ii) the aggregate sales of optical fibre cable to overseas customers decreased HK\$20.3 million from approximately HK\$58.0 million to HK\$37.7 million. The Group's core markets in Hong Kong and ASEAN are facing severe headwinds. The 5G network rollout in ASEAN is near saturation, leading to minimal demand for backbone network expansion. The Hong Kong optical cable market has also reached saturation. This has resulted in production underutilization (e.g., Thailand facilities operating at around 50% capacity), severe pricing pressure due to excess capacity dumping from China, and a consistent decline in the Group's sales revenue. The Group was even forced to temporarily suspend production at its Hong Kong facility. The acquisition is presented as a necessary pivot to secure new revenue streams and ensure the Group's "going concern status."
- 2. Strategic Expansion into the PRC Market:** The primary drivers of optical fiber demand have undergone a structural shift, with AI and data center expansion replacing traditional telecommunications as the core catalysts. This evolution is currently dictated by Large Language Model (LLM) development across the U.S. and China. While markets like Hong Kong and ASEAN market are showing improvement, they currently lack the capital and technical maturity of the PRC and U.S. hubs. According to IBISWorld, an independent global industry research firm, the optical fiber and cable manufacturing industry in China reached a market size of approximately USD118.6 billion in 2026, having grown at a CAGR of 4.7% between 2020 and 2025. The acquisition is the key mechanism for the Group to enter the vast PRC market, which was previously a restricted territory for the Group under the existing Deed of Non-Competition. The

PRC market is characterized by massive ongoing investments in 5G, FTTH (Fiber to the Home), and, importantly, explosive growth driven by AI data centers and global computing infrastructure. The Directors believe the PRC market possesses “sufficient scale and depth” to accommodate both the Group and Futong China Group, allowing for co-existence without undue competition.

3. **Achieving Significant Cost Advantages:** A core rationale is to leverage lower production costs within the PRC. Hangzhou Company’s production facility is stated to achieve a significant cost reduction for optical fiber production compared to the Group’s Hong Kong facilities. This cost efficiency is crucial for improving the Group’s overall profit margins and competitiveness, both for supplying its international clients and for competing in the domestic market.
4. **Securing Supply Chain and Diversifying Product Portfolio:** Hangzhou Company possesses an annual production capacity for optical fiber preforms (the essential precursor for optical fibers). The Acquisition will secure a stable, internal supply of this critical raw material for the Group’s downstream manufacturing, alleviating supply chain constraints and reducing reliance on external suppliers.
5. **Establishing a Sales and Distribution Footprint in the PRC:** The Acquisition provides the Group with an immediate operational base and sales channels within the PRC. Hangzhou Company has an existing business serving both independent customers and Futong China Group. Post-acquisition, the Group plans a three-tiered sales model for the business operation of Hangzhou Company:
 - **Export:** Supplying the Group’s international markets.
 - **Domestic Direct Sales:** Targeting new end-users in the PRC, such as data center operators and AI computing clusters.
 - **Collaborative Bidding:** Initially, continuing Hangzhou Company’s historical practice of partnering with the Futong China to bid for projects from major telecom operators. This involves Hangzhou Company manufacturing optical fibers, which are then processed into cables by Futong China Group for final sale.

For the three years ended 31 December 2023, 2024, and 2025, Hangzhou Company's revenue was derived from two primary sources: (i) Futong China (excluding the Group) via collaborative bidding arrangements; and (ii) independent third-party customers secured through direct sales efforts. Sales to Futong China accounted for approximately 69.7%, nil, and 31.4% of total revenue for 2023, 2024, and 2025, respectively, with the balance attributable to independent customers. The significant year-on-year fluctuations in these proportions stem from the contingent nature of the collaborative bidding mechanism. Under this arrangement, supply opportunities depend on Futong China Group first securing purchase orders from major PRC state-owned telecommunications operators, and subsequently selecting Hangzhou Company as the supplier based on pricing, capacity, and reliability.

To capitalize on these business opportunities, Hangzhou Company has established a dedicated internal marketing and sales team, under the direct supervision of the chairman and general manager of Hangzhou Company. This team, comprising two seasoned professionals who have been with Hangzhou Company for over three years, is responsible for developing and managing direct commercial relationships with customers. These operations are conducted entirely independently of the collaborative bidding arrangements facilitated through Futong China. To identify procurement opportunities and maintain key accounts, the team conducts regular site visits to prospective and recurring customers and actively participates in industry exhibitions and trade fairs.

The effectiveness of this independent sales capability is demonstrated by the three months ended 31 March 2026, during which approximately 71.4% of Hangzhou Company's revenue was generated from sales to not less than 10 external independent customers, including (i) manufacturers specializing in manufacturing and technology solutions for the power, optical fiber, and telecommunications sectors; and (ii) trading companies for the power, optical fiber, and telecommunications sectors, all secured through its own internal marketing efforts without any reliance on Futong China.

It is currently expected that, in the initial phase upon the Completion, revenue contributions from each of the three tiers – namely (i) Export, supplying the Group’s existing international markets; (ii) Domestic Direct Sales, targeting end-users in the PRC such as data center operators and AI computing clusters; and (iii) Collaborative Bidding, continuing Hangzhou Company’s historical practice of partnering with Futong China to bid for projects from major PRC telecom operators – will each contribute broadly one-third of Hangzhou Company’s total revenue. This initial allocation reflects the current state of Hangzhou Company’s established commercial relationships and the Group’s near-term integration priorities.

However, the Directors wish to highlight that the three-tiered model is not intended to be static. As Hangzhou Company builds out its own independent sales network and customer base – particularly in the Domestic Direct Sales channel – it is the Board’s intention to progressively reduce the Group’s reliance on the Collaborative Bidding tier over time. The Collaborative Bidding arrangement, whilst commercially valuable in the near term given Hangzhou Company’s existing partnership with Futong China, is by its nature a transitional mechanism. As Hangzhou Company establishes deeper direct relationships with domestic end-users and broadens its independent sales footprint within the PRC, the Board expects the proportion of revenue attributable to Collaborative Bidding to decline gradually, with a corresponding increase in the contribution from Domestic Direct Sales and, where appropriate, Export channels.

The Directors wish to emphasise, however, that the actual sales allocation across the three tiers may differ from the above expectations, and will ultimately be subject to the development of market conditions, the pace at which Hangzhou Company’s independent sales network matures, and the evolution of demand from domestic and international customers over the coming years. The Board will keep the sales strategy under active review and will make such adjustments as it considers appropriate in the best interests of the Company and its Shareholders as a whole.

6. **Business Synergy and Future Growth:** The Acquisition allows the Group to achieve vertical integration, broaden its product portfolio and establish domestic sales channel. It is expected to facilitate the Group’s expansion plans in Thailand and help recover capacity in Hong Kong by providing a cost-competitive source of key materials.

Notwithstanding Hangzhou Company's loss-making performance over the three years ended 31 December 2025, the Directors believe the Acquisition represents a compelling strategic opportunity when assessed against the cyclical and structural context underlying those results. The losses during this period are attributable to an exceptionally adverse industry environment characterised by severe overcapacity in PRC optical fiber production, sustained depression in fiber selling prices and materially weakened downstream demand from state-owned telecommunications operators. Under such conditions, gross margins compressed significantly, rendering Hangzhou Company's cost base increasingly uncompetitive relative to larger, more vertically integrated PRC producers. In response, management adopted a deliberate strategy of adjusting production schedules, which resulted in lower facility utilisation rates and the absorption of fixed manufacturing overheads across a reduced output base, further weighing on reported profitability. The Directors are of the view that these factors are cyclical in nature rather than reflective of any structural impairment to Hangzhou Company's underlying business or asset quality.

As evidenced by the recovery in optical fiber market prices from the fourth quarter of 2025 and the corresponding uplift in customer demand, the industry downcycle appears to have reached an inflection point.

The Board's assessment is underpinned by the Profit Guarantee provided by the Seller, which stipulates that the Hangzhou Company's audited net profit before tax for the financial year ending 31 December 2026 shall be no less than RMB50 million. The Directors view this contractually enforceable commitment as a crucial safeguard against the risks associated with the Target's historical performance. Based on the RMB78 million Consideration, the implied price-to-guaranteed-earnings multiple of approximately 3.06 times is considered conservative and fair, particularly given the prevailing industry landscape and the Acquisition's strategic value. Furthermore, the settlement of the Consideration entirely through the issuance of shares ensures that the Group's cash liquidity remains available for operational requirements.

Crucially, the Board firmly believes that historical losses do not reflect Hangzhou Company's prospective earnings capacity. The losses incurred during the reporting period were driven predominantly by industry-wide headwinds – specifically the collapse of optical fiber and preform selling prices to decade lows – rather than any fundamental deterioration in the company's operational capabilities or market position. This view is strongly supported by a turnaround in financial performance, as evidenced by the unaudited management accounts for the three months ended 31 March 2026.

Taking into account of the above, the Directors are of the view that, notwithstanding the decreasing revenue, increasing losses and net current liabilities recorded by the Target Group over the three financial years ended 31 December 2025, the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Taking into account the above, in particular, that (i) the Acquisition is in line with the business development of the Group, which is expected to enhance the Group's long-term diversification of income streams; (ii) Hangzhou Company's production facility is stated to achieve a significant cost reduction for optical fiber production compared to the Group's Hong Kong facilities; (iii) Hangzhou Company possesses an annual production capacity for optical fiber preforms (the essential precursor for optical fibers) which will secure a stable, internal supply of this critical raw material for the Group's downstream manufacturing, alleviating supply chain constraints and reducing reliance on external supplier after the Acquisition; (iv) Hangzhou Company will initially balance revenue across Export, Domestic Direct Sales, and Collaborative Bidding, with a clear strategy to progressively reduction in reliance on Collaborative Bidding as the company builds its own direct sales network; (v) the acquisition allows the Group to achieve vertical integration, broaden its product portfolio and establish domestic sales channel; (vi) the Group's original business model confined to Hong Kong and ASEAN is no longer viable; and (vii) despite the Target Group's historical losses, which do not reflect Hangzhou Company's prospective earnings capacity as supported by the Profit Guarantee and turnaround in financial performance for the three months ended 31 March 2026, we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

(3) Evaluation of the principal terms of the Acquisition Agreement

The parties to the Acquisition Agreement agree that the Consideration for the Sale Shares shall be approximately RMB78,000,000. The Consideration shall be satisfied in full by way of the issuance and allotment of the Consideration Shares by the Company payable upon Completion.

Based on the Profit Guarantee mentioned below for the financial year ending 31 December 2026, the guaranteed profits before tax of Hangzhou Company shall be not less than RMB50 million. Based on the consideration of RMB78 million for 51% equity interests in Hangzhou Company, the Consideration of RMB78 million represents a P/E ratio of approximately 3.06 times.

Profit Guarantee and Cash Compensation Obligation

- (a) The Seller guarantees to the Buyer that the actual net profit before tax (“**Actual Profits**”) for the year ending 31 December 2026 shall be no less than the guaranteed profits of RMB50,000,000 (“**Guaranteed Profits**”).
- (b) If the Actual Profits are less than the Guaranteed Profits, the Seller shall pay to the Buyer a cash compensation (the “**Compensation**”) calculated as follows:

$$\text{Compensation} = \text{RMB78,000,000} \times (\text{Guaranteed Profits} - \text{Actual Profits}) / \text{Guaranteed Profits}$$

The maximum Compensation payable shall be RMB25,000,000.

- (c) The Compensation, if any, shall be due and payable in immediately available funds within 15 business days after the final determination of the Actual Profits.

To secure the Seller’s potential obligation to pay the Compensation, the Seller grants to the Company a first-priority pledge over all the Consideration Shares (the “**Pledged Shares**”) and the parties shall execute a separate share pledge agreement at Completion. The pledge shall be released upon the earlier of: (i) fulfilment of the Profit Guarantee; or (ii) the full payment of any Compensation due.

The Guaranteed Profits figure was determined through arm’s length commercial negotiations between the Company and the Seller, having regard to the following key factors:

- (i) *Recent positive performance trend – primary basis for the Guaranteed Profits figure*

The principal reference point for determining the Guaranteed Profits amount is the unaudited management accounts of Hangzhou Company for the three months ended 31 March 2026, which demonstrated a meaningful and material reversal in operating performance relative to the historical loss-making years. Specifically, Hangzhou Company recorded an unaudited operating profit of approximately RMB35.1 million and an unaudited net profit before tax of approximately RMB31.3 million for that three-month period. The Board is of the view that the first-quarter 2026 results, being the most current financial information available at the time of negotiation, constitute the most relevant and reliable indicator of Hangzhou Company’s prospective earnings profile under current market and operational conditions.

(ii) Significant improvement in market prices for key products

The primary drivers of optical fiber demand have undergone a structural shift, with AI and data center expansion replacing traditional telecommunications as the core catalysts. This evolution is currently dictated by Large Language Model (LLM) development across the U.S. and China. In China, the optical fiber and preform market has transitioned from historic lows to multi-year highs since late 2025. This robust recovery is fueled by surging demand from AI computing and emerging applications, compounded by rigid upstream supply constraints. The price of mainstream G.652.D single-mode fiber – Hangzhou Company’s flagship product – bottomed out at a decade-low of approximately RMB 20 per core-kilometer in Q2 2025, before a modest recovery to RMB 24 in the second half of 2025. However, by late January 2026, prices climbed sharply to the RMB 35-40 range, with the rally accelerating to a market average of RMB 70-90 per core-kilometer by May 2026. Crucially, this trend is driving a “twin-engine” growth cycle: the industry is experiencing a rare synchronization where both unit prices and total sales volumes are scaling rapidly, significantly expanding the overall market size.

This pricing uplift has materially improved the revenue and margin profile of Hangzhou Company and is expected to continue to support its profitability over the profit guarantee period, providing further comfort that the Guaranteed Profits level is achievable.

(iii) Inclusion of a prudent downward buffer

In arriving at the Guaranteed Profits figure, the parties set the guaranteed amount at a level meaningfully below the annualised profit trajectory implied by Hangzhou Company’s first-quarter 2026 results. This was done in recognition of the inherent cyclical and price volatility that characterise the optical fiber and optical fiber preform markets, where selling prices are subject to fluctuation driven by shifts in global and domestic supply-demand dynamics, raw material costs, and broader macroeconomic conditions. By incorporating a mutually acceptable downward buffer, the Guaranteed Profits figure reflects a prudent and commercially realistic baseline that the Seller is confident of achieving even in a scenario of moderate market deterioration, rather than anchoring the guarantee to peak or near-peak pricing conditions. This approach balances the Seller’s accountability under the profit guarantee with a reasonable allowance for market uncertainty, and is consistent with the arm’s length and commercially rational basis on which the guarantee was negotiated.

4.1 P/E ratio and P/B ratio analysis

We consider that the price-to-earnings ratio (the “P/E Ratio”) and the price-to-book ratio (the “P/B Ratio”) are commonly used methods in considering the justification of the Consideration.

Given that the Target Company does not record profit in the year ended 31 December 2025. We have to use the Profit Guarantee provided by the Seller under the Acquisition Agreement as the adoption of alternative in conducting our analysis on P/E Ratio. We are of the view that the use of the Profit Guarantee for the P/E Ratio analysis is appropriate for the following reasons: (i) the Profit Guarantee represents the Seller’s committed earnings forecast, as the RMB50,000,000 profit guarantee for the year ending 31 December 2026 is contractually provided by the Seller under the Acquisition Agreement, reflecting the Seller’s confidence in the Target Company’s future earnings capability, as the Hangzhou Company’s unaudited revenue of approximately RMB85.46 million for the first quarter of 2026 annualises to approximately RMB341.82 million, which exceeds the Profit Guarantee; and (ii) the Profit Guarantee is a contractual term of the Acquisition Agreement, which provides a transparent basis for calculating the implied P/E Ratio of the Target Company for comparison against the Comparable Companies (defined hereafter). Given that the Target Company did not record a profit in the year ended 31 December 2025, the forward-looking approach based on the Profit Guarantee is therefore necessary and appropriate.

Given that the Target Company’s net asset value is positive as at 31 December 2025, we have conducted our analysis on the P/B Ratio based on the Target Company’s net asset value as at 31 December 2025. We are of the view that the use of the P/B Ratio analysis is appropriate as it directly compares the Consideration to the Target Company’s net asset value, allowing us to assess whether the Consideration is reasonable against the Comparable Companies (defined hereafter). The P/B Ratio therefore serves as a concurrent benchmark to assess the justification of the Consideration alongside the P/E Ratio analysis.

We have also considered the price-to-sales (the “P/S”) multiple as a potential valuation metric. However, the P/S multiple was not adopted because it does not take into account the cost structure and profitability of the Target Company. In contrast, the P/E Ratio based on the Profit Guarantee reflects earnings capacity, and the P/B Ratio which reflects net asset position, both of which are more directly relevant to the Target Company’s financial profile. Furthermore, the P/S multiple does not reflect differences in profit margins, operating costs, and expense structures across companies. As the Target Company and the Comparable Companies (defined hereafter) may have different cost profiles and margin levels, the P/S multiple would not provide a meaningful or reliable basis for comparison. Accordingly, we have excluded the P/S multiple from our analysis.

With a view to assess the fairness and reasonableness of the Consideration, we have conducted market comparable analysis by comparing the P/E Ratio and the P/B Ratio of the Target Company as implied by the Consideration and based on the closing price of the Share on 10 April 2026, being the last trading day of the Shares before the publication of the Announcement (the “**Last Trading Day**”) against that of other listed companies on the Main Board of the Stock Exchange that engages in similar business to those of the Target Company.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (a) the shares of which are listed on the Main Board of the Stock Exchange (the “**Criterion A**”); (b) the listed company(ies) that are principally engaged, with over 50% of their revenue generated from the provision of optical fibers and optical fiber preforms in the PRC, which are of a similar nature as the Target Company (the “**Criterion B**”); (c) the trading of shares of the subject companies were not suspended on the Last Trading Day and Latest Practicable Date (the “**Criterion C**”); and (d) companies that fall into the aforesaid criterion but recorded net liabilities as at the latest financial year/period have been excluded for the purpose of this analysis (the “**Criterion D**”) (together, the “**Criteria**”). Based on the Criteria, we have identified an exhaustive list of three comparable companies (the “**Comparable Companies**”).

We have assessed each of the above Criteria individually and, in our view, the Criteria as a whole are fair and representative for the purpose of comparison. In view of (i) Criterion A ensures that all Comparable Companies are listed on the Main Board of the Stock Exchange, which imposes consistent disclosure, governance and compliance requirements across the Comparable Companies, thereby ensuring comparability; (ii) Criterion B ensures that only companies deriving over 50% of their revenue from optical fibers and optical fiber preforms in the PRC are included, thereby indicating that the Comparable Companies are direct comparators of the Target Company, as they operate in the same core business and geographic market. Accordingly, the 50% revenue threshold excludes diversified companies whose valuation multiples would otherwise be distorted by unrelated businesses, ensures product specific and geographic alignment with the Target Company's actual operations; (iii) Criterion C excludes companies with suspended trading, ensuring that share prices reflect active market prices rather than halted prices, so that the valuation multiples derived are reflect real market conditions, not distorted or suspended trading situations; and (iv) Criterion D excludes companies with net liabilities, as such companies may present distorted valuation metrics that are not comparable to the Target Company, particularly where the Target Company maintains a positive net asset position. Accordingly, we considered the Criteria, taken as a whole, to be fair and representative.

We are of the view that three Comparable Companies are sufficient for the purpose of our analysis, as the Criteria are defined to ensure comparable product, geographic, and regulatory alignment, resulting in an exhaustive rather than a set of selective comparables. In the context of a specialised industry such as optical fiber preform manufacturing in the PRC, a smaller, highly focused selection of comparables is more meaningful for comparison than a larger selection of comparables with less relevant companies. Accordingly, having identified an exhaustive list of three Comparable Companies that align with the Target Company, the Criteria provide a sufficient and reliable basis to conduct the following analysis.

The table below sets out the P/E Ratio and the P/B Ratio of the Comparable Companies for comparison purposes.

Company (Stock Code)	Principal business	Total assets as at 31 December 2025 (RMB)	Total revenue for the year ended 31 December 2025 (RMB)	Market	P/E Ratio (Note 2) (times)	P/B Ratio (Note 3) (times)
				capitalization as at the Last Trading Day (Note 1) (HK\$'million)		
Chengdu SIWI Science and Technology Company Limited (1202)	The research and development, production, sales, and after-sales services of wire and cable, optical fiber cables, optical communication equipment, photovoltaic equipment and components, and irradiation processing.	1,036,854,668.93	366,043,095.86	216.0	65.25	0.25
Nanfeng Communication Holdings Limited (1617)	The manufacturing and sales of optical fibre cables and optical distribution network devices, as well as processing and sales of pre-painted steel sheet.	1,328,498	464,168,000	894.4	26.52	0.95
Yangtze Optical Fibre and Cable Joint Stock Limited Company (6869)	The manufacturing and sales of optical fibre preforms, optical fibre cables and optical components and modules with various standard specifications that are widely used in the telecommunications industry and the provision of other related products and services.	36,362,854,687	14,252,103,033	264,565.5 (Note 4)	292.9	17.26
				Maximum	292.90	17.26
				Minimum	26.52	0.25
				Average	128.22	6.15
				Median	65.25	0.95
The Target Company Based on the Consideration					3.06 (Note 5)	7.27 (Note 6)

Notes:

1. For illustration purpose, the market capitalisation is calculated based on, where applicable, the closing price of the share of the respective Comparable Companies on the Last Trading Day and the total number of issued shares based on the then latest monthly return of the subject listed company published on the website of the Stock Exchange.
2. The P/E Ratio is calculated by dividing the market capitalisation as at the Last Trading Day by the profit attributable to owners of the respective company according to their latest financial information.
3. The P/B Ratio is calculated by dividing their market capitalisation as at the Last Trading Day by the net asset value attributable to owners of the respective company according to their latest financial information.
4. The market capitalisation is calculated by aggregating the market value of its listed H-shares and its listed A-shares. The total market value is derived from the sum of: (i) the number of issued H-shares multiplied by the H-share closing price (in HKD), and (ii) the number of issued A-shares multiplied by the A-share closing price (in RMB), with the A-share portion then converted into HKD using the exchange rate.
5. The implied P/E ratio of the Target Company was calculated as the Consideration of RMB78,000,000 divided by 51% (representing the equity interest being acquired) to arrive at an implied 100% equity value of the Target Company of approximately RMB152,941,176, and then divided by the Guaranteed Profits of RMB50,000,000 for the financial year ending 31 December 2026.
6. The implied P/B ratio of the Target Company was calculated as the Consideration of RMB78,000,000 divided by 51% (representing the equity interest being acquired) to arrive at an implied 100% equity value of the Target Company of approximately RMB152,941,176, and then divided by the latest net asset value of the Target Company for the year ended 31 December 2025 of RMB21,043,000.

It is noted from the above table that the Comparable Companies recorded P/E Ratio between approximately 26.52 times to 292.90 times with an average of approximately 128.22 times. The Target Company's implied P/E Ratio based on the Profit Guarantee would be approximately 3.06 times which is lower than all of the Comparable Companies.

The P/B Ratio of the Comparable Companies were between approximately 0.25 times to 17.26 times with an average of approximately 6.15 times. The Target Company's implied P/B Ratio based on the latest net asset value for the year ended 31 December 2025 of approximately 7.27 times is slightly higher than the average of the Comparable Companies.

It is noted that the market capitalization of the Comparable Companies ranges from approximately HK\$216 million to approximately HK\$264,565.5 million as at the Last Trading Day, and that the largest comparable company by market capitalisation records the highest P/E ratio of 292.90 times and the highest P/B ratio of 17.26 times. In light of the wide range of market capitalization, P/E ratio and P/B ratio observed in the Comparable Companies, we have considered whether any outlier should be excluded from the analysis. We have determined not to exclude any companies from the Comparable Companies for the following reasons: (i) the largest comparable company operates in the same core business and geographic market (i.e. over 50% revenue from optical fibers and optical fiber preforms in the PRC) as the Target Company and the other comparable companies as the business alignment is the primary driver of comparability in valuation analysis; (ii) the Comparable Companies represent an exhaustive list of all transactions identified under the Criteria, and any subjective exclusion would lessen the exhaustiveness and affect the objectivity; (iii) the larger companies serve as valid comparables as they are principally engaged in the same business segment, as the P/E Ratio and P/B Ratio reflect the market expectations of growth, risk, and profitability relative to earnings and book value. A higher multiple may reflect a premium for market leadership, liquidity, or growth prospects, but it does not invalidate comparability; and (iv) we have performed an additional analysis that by removing the largest comparator with the highest market capitalisation with P/E Ratio 292.90 times and P/B Ratio 17.26 times, and calculated the average multiples based on the remaining two Comparable Companies. It is noted that the recalculated average P/E ratio of the remaining two comparables is 45.88 times, and the recalculated P/B ratio of the remaining two comparables is 0.60 times. Even after excluding the largest comparator, the Target Company's implied P/E ratio of 3.06 times remains significantly lower than the average, and the Target Company's implied P/B ratio of 7.27 times remains higher than the average. Therefore, even if the largest comparator were to be excluded as an outlier, the analysis results remain unchanged, further supporting the robustness of our analysis. Accordingly, we have included all three Comparable Companies without excluding any transactions as outliers.

Based on (i) the selection Criteria as a whole are fair and representative; (ii) the Target Company's implied P/E Ratio based on the Profit Guarantee is lower than the Comparable Companies; (iii) the Target Company's implied P/B Ratio is within range of the Comparable Companies; (iv) the above additional analysis, the comparison results remain unchanged even if the largest comparator were considered as an outlier, and we have therefore determined not to exclude any companies from the Comparable Companies; (v) potential business synergies arising from the Acquisition; and (vi) the future prospects of the business of the Hangzhou Company and the industry of optical fiber preforms and the optical fibers in the PRC, we are of the view that the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other alternative financing methods considered

We have discussed with the Management and were advised that the Company has considered alternative financing methods, including equity fund raising methods by way of a rights issue or an open offer and bank borrowing to finance the acquisition of the Target Company.

With respect to equity fund raising methods by way of a rights issue or an open offer, the Directors are of the view, and we concur, that though it would not immediately dilute the interests of the Shareholders if all the Shareholders take up the offer, yet it is considered to be relatively costly as the Company will have to engage professional parties which would incur additional professional fees and administrative costs. In addition, a rights issue or an open offer of new Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clauses in favour of the underwriter and may generally incur higher transaction costs (i.e. underwriting commission and other related fees).

In assessing other alternative financing methods, the issuance of the Consideration Shares to the Seller as compared to raising equity financing from Independent Third Parties (i.e. public Shareholders) in the open market has been analysed as below. It is noted that upon Completion, the Seller will hold approximately 13.92% of the total number of issued shares of the Company as enlarged by the allotment and issuance of the Consideration Shares, and thereby become a Shareholder with a direct shareholding in the Company. As set out in the Letter from the Board to safeguard the interests of the Group and ensure the Seller retains sufficient financial resources to satisfy any potential Compensation obligations, the Seller irrevocably undertakes that the Consideration Shares shall be subject to a restrictive lock-up. Specifically, the Seller shall not sell, transfer, encumber, or otherwise dispose of any Consideration Shares from the date of issuance until the later of: (i) the final determination of Actual Profits ; and (ii) the full settlement of any required Compensation. Such Compensation represents a pro-rata cash adjustment payable to the Buyer should Actual Profits fall short of the Guaranteed Profits, serving as a post-closing valuation adjustment to ensure the final purchase price accurately reflects the Group's actual financial performance. In addition, to secure the Seller's potential obligation to pay the Compensation, the Seller grants to the Company a first-priority pledge over all the Consideration Shares and the parties shall execute a separate share pledge agreement at Completion. The pledge shall be released upon the earlier of: (i) fulfilment of the Profit Guarantee; or (ii) the full payment of any Compensation due. Compared with issuing Shares to Independent Third Parties (i.e. public Shareholders) who may dispose of their shareholding, it is considered that issuing the Consideration Shares to the Seller under the above lock-up and pledge arrangements is more favorable to the Company and its Shareholders as a whole. These arrangements are considered to align the Seller's interests with the interests of the Company, to secure the Seller's continued dedication to the performance of Hangzhou Company, and to mitigate the risk of the Seller's default on its compensation obligation subsequent to the receipt of the Consideration Shares. As a result, it is considered that the issuance and allotment of Consideration Shares to the Seller is preferable to raising equity financing from public Shareholders in the open market.

Ability to obtain bank borrowing usually depends on the company's profitability and financial position as well as the prevailing market condition, and may be subject to lengthy due diligence and internal risk assessment by and negotiations with banks which usually require pledges of assets by the borrower. Having considered that the bank borrowing would incur interest expenses, we concur with the Directors' view that, the settlement of the Consideration by issuing the Consideration Shares is a more viable option to the Company which incurs less interest expenses and avoids the substantial administrative works and costs as compared to those in obtaining bank borrowing.

Having considered that the issue of the Consideration Shares (i) enables the Company to capture this investment opportunity in a timely manner; (ii) enables the Company to complete the Acquisition without significant immediate cash outflows, as the Consideration is satisfied wholly by the allotment and issuance of the Consideration Shares; and (iii) the lock-up and pledge arrangements align the Seller's interests with the interests of the Company, secure the Seller's continued dedication to the performance of Hangzhou Company, and mitigate the risk of the Seller defaulting on its compensation obligation subsequent to the receipt of the Consideration Shares, we concur with the Directors' view that such benefits outweigh the dilution impact on the Independent Shareholders upon the issuance of the Consideration Shares. Based on all of the above, we are of the view that the issuance of the Consideration Shares for the satisfaction of the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

4.2 Issue Price

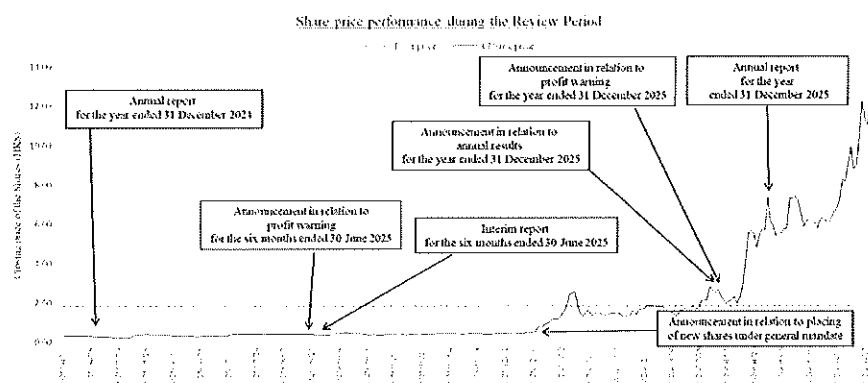
As set out in the Letter from the Board, the Issue Price was arrived at after arm's length negotiations between the Company and the Seller, having regard to: (i) the prevailing market prices of the Shares over the thirty consecutive trading days immediately preceding the date of the Acquisition Agreement, during which the Shares traded within a range of HK\$1.35 to HK\$2.80, with a median price of HK\$1.825; (ii) the Directors' view that the relevant period captures both upward and downward price movements arising from the annual results announcement and subsequent profit warning, which resulted in short-term volatility and a temporary elevation followed by a correction in the Share price, and therefore provides a more balanced and representative reference of recent trading conditions (iii) the strategic benefit of satisfying the Consideration entirely through the issuance of Consideration Shares, thereby preserving the Group's cash liquidity for operational requirements; (iv) the inclusion of a Lock-up arrangement designed to mitigate downward pressure on the Share price and protect the interests of existing Shareholders. In view of the above, the Board is

of the opinion that the Issue Price is fair and reasonable; and (v) the low trading volume and liquidity of the Shares, which the Board considered to provide a reasonable reference for determining the Issue Price.

In order to assess the fairness and reasonableness of the Issue Price at HK\$1.85, we have conducted the following assessments:

4.2a Historical Share price performance

We have reviewed the movement in historical closing prices and the chart below reflects the movement in closing prices from 10 April 2025 to the Latest Practicable Date, being approximately a twelve-month trading period from the date of the Acquisition Agreement (the “Review Period”). We consider that the Review Period is adequate and representative to provide the fair comparison between the Issue Price and historical closing price, which allows a sufficient demonstration of the performance of Shares in response to prevailing market sentiment and operating conditions.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the daily closing prices of the Shares ranged from HK\$0.239 per Share (“Lowest Closing Price”) and HK\$12.560 per Share (“Highest Closing Price”), respectively, with the average daily closing price recorded at HK\$1.878 per Share (“Average Closing Price”).

As illustrated in the above graph, the closing price of the Shares recorded notable increase since December 2025 after the announcement of the placing of new Shares under general mandate from HK\$0.54 on 17 December 2025, the date of the placing agreement to HK\$2.58 on 9 January 2026.

After 9 January 2026, the closing price of the Shares decreased to HK\$1.3 on 4 February 2026. After 4 February 2026, the closing price of the Shares increased significantly to HK\$2.8 on 24 March 2026. We have discussed with the Company and the Company was not aware of any material affairs of the Group that could potentially be related to the movements in the closing price of the Share during the aforesaid periods.

It is noted that the Issue Price of HK\$1.85 is within the range of the daily closing prices of the Shares during the Review Period and represents (i) a discount of approximately 85.27% over the Highest Closing Price per Share during the Review Period; (ii) a premium of approximately 674.06% over the Lowest Closing Price per Share during the Review Period; and (iii) a discount of approximately 1.47% over the Average Closing Price per Share during the Review Period.

Taken into consideration the Issue Price falls within the range of the aforesaid historical closing price during the Review Period and represents a premium over the Lowest Closing Price and Average Closing Price, we are of the view the Issue Price is fair and reasonable.

4.2b Trading liquidity of Shares

The following table sets out a summary of the average daily trading volume of the Shares with respect to the total number of issued Shares as at the respective month/period, during the Review Period from 10 April 2025 up to the Latest Practicable Date, showing a fair representation of the overall market perception during the past 12 months prior to entering the Acquisition Agreement.

Month/period	Number of trading days	Average daily trading volume	Percentage of average trading volume to total number of Shares in issue (Note)
2025			
April (from 10 April 2025)	13	3,538	0.001%
May	20	11,700	0.005%
June	21	41,238	0.016%
July	22	14,545	0.006%
August	21	20,762	0.008%
September	22	295,405	0.114%
October	20	40,200	0.015%
November	20	50,400	0.019%
December	21	338,476	0.130%
2026			
January	21	524,236	0.175%
February	17	140,941	0.047%
March	22	537,589	0.180%
April	19	3,194,721	1.069%
May	19	626,737	0.210%
June (Up to and including the Latest practicable Date)	19	975,421	0.326%
Minimum			0.001%
Maximum			1.069%
Average			0.155%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Calculated based on the total number of Shares in issue at the end of the respective month/period, where applicable.

As illustrated in the above table, during the Review Period, the average daily trading volume for each month as a percentage to the then total number of shares in issue ranged from approximately 0.001% to 1.069% with an average of 0.155%.

We note that the trading liquidity of the Shares is relatively thin during the Review Period, where the trading liquidity were below 0.2% of the then total issued Shares from April 2025 to March 2026. Notwithstanding the increase in trading volume in April 2026, there is no assurance that the trading volume will maintain in coming future. Overall, this may hinder investors/underwriters or placing agent to participate when the Company attempts to conduct equity fundraising activities or is likely to result in a considerable discount to the prevailing market price of the Shares as incentive if such options were pursued. Therefore, the Management consider, and we concur, that it would be difficult for the Company to pursue a sizeable equity fundraising under terms that are favourable to the Company.

4.3 Market comparable analysis on the Issue Price

To further assess the fairness and reasonableness of the terms of the Issue Price, we have identified, to the best of our knowledge, effort and endeavour, an exhaustive list of comparable transactions involving issues of consideration shares under specific mandate by companies listed on the Stock Exchange.

Based on the following selection criteria (the “**Selection Criteria**”):

- (i) announcement published on the Stock Exchange website in relation to issuance of new shares under specific mandate for business acquisition purpose, which we consider to be comparable in nature to the Acquisition (the “**Selection Criterion I**”);
- (ii) announcements that were published during the period from 10 October 2025 up to 10 April 2026, being a six-month period prior to the date of the Acquisition Agreement, due to the sufficient number of transactions identified during the recent six-month period to comprise a representative list for comparable purpose, we consider the said period is sufficient to serve as a general reference and reflect recent market trend of similar transactions under prevailing market conditions (the “**Selection Criterion II**”);
- (iii) excluding issuance of A-shares or PRC domestic shares or issuance that have been terminated and lapsed as at the Latest Practicable Date (the “**Selection Criterion III**”); and

- (iv) excluding transactions that have been terminated and lapsed as at the Latest Practicable Date (the “**Selection Criterion IV**”).

we have identified a total of nine comparable transactions (the “**Comparables**”) for the purpose of our analysis.

We have assessed each of the above Selection Criteria individually. In view of the following (i) Selection Criterion I ensures that the Comparables are consistent with the nature of the Acquisition, as transactions involving a specific mandate for business acquisition issuance aligns commercial purpose and transaction structure; (ii) Selection Criterion II encompasses a sufficient volume of recent transactions within a six-month period and a sufficient period to capture prevailing market conditions; (iii) Selection Criterion III ensures the Comparables operate under the same market rule and investor base because A shares and PRC domestic shares are subject to different regulatory regimes, settlement mechanisms, and investor eligibility requirements; and (iv) Selection Criterion IV ensures the Comparable reflects a successfully executed transaction that remains legally effective that terminated or lapsed transactions do not represent actual executed market outcomes and therefore do not reflect the value of the acquisition. Accordingly, we considered the Selection Criteria, taken as a whole, to be fair and representative. The Comparables represent an exhaustive list of all comparable transactions identified pursuant to the Selection Criteria.

It should be noted that the principal terms of the Comparables may vary due to differences in principal business, operations, financial positions and prospects of the respective companies. We have not conducted any in-depth investigation into the size, principal business, operations, financial positions and prospects of the Comparables. We have noted the differences in business nature and market capitalisation. We are of the view that the premium/(discount) of issue price to market price is a commonly used metric in comparable transaction analysis for share issuances. While the market capitalisation of the Comparables varies, the premium/discount metric focuses on the relationship between the issue price and the prevailing share price, which reflects the transaction terms negotiated between the parties. The wide range of market capitalisation does not detract from the comparability, as the analysis aims to provide a general market reference based on actual observed transactions. Furthermore, the Comparables represent an exhaustive list of all transactions identified under the Selection Criteria during the six-month period, and any subjective exclusion based on market capitalisation would introduce selection bias and reduce objectivity. Nevertheless, all Comparables involve the issuance of new shares under a specific mandate for business acquisition purposes, which is consistent with the nature of the Acquisition, and this analysis focuses on that common transaction type. The objective of the analysis is to provide a market-based reference for the

premium/(discount) of the issue price relative to the prevailing market price of the Company's shares, based on recent comparable transactions in the Hong Kong market, rather than to identify companies with identical business operations. As such, differences in the underlying business segments of the companies in those transactions do not render the comparison invalid, as the primary focus is on the transaction structure and the premium/discount levels observed in the market for similar share issuance transactions. Regarding the comparison methodology, we have calculated the premium/(discount) of the issue price over/to (i) the closing price on the last trading day/on the date of the respective announcement/agreement; and (ii) the average closing price of five trading days prior to and including the last trading day/on the date of the respective announcement/agreement. For each Comparables identified under the Selection Criteria, the relevant premium/(discount) percentages as disclosed in their respective announcements were extracted, calculated on the same bases (i.e., over/to the closing price on the last trading day/date of the respective announcement or agreement, and over/to the average closing price of five trading days prior to and including such date). The premium/(discount) of the Issue Price was then compared against the range and average of the Comparables to assess whether the issue price falls within a reasonable range relative to recent market transactions of a similar nature. This analysis is aiming in providing a general reference for the recent market practice in relation to the key terms of the Comparables under similar type of transactions, we consider that our comparable analysis and the Selection Criteria are fair and reasonable and useful for Independent Shareholders' reference.

We set out our findings in the table below:

Date of announcement	Company name (Stock Code)	Principal business	Principal amount	Issue price	Premium/(discount) of issue price over/ to the average closing price of five trading days prior to the closing price on the last trading day/on the date of the respective announcement/ agreement (%)	Premium/(discount) of issue price over/ to the average closing price of five trading days prior to and including the last trading day/on the date of the respective announcement/ agreement (%)	Market capitalisation as at the respective date of announcement approximately
26 March 2026	Hanking Gold International Limited (3788)	The development of gold mine projects in Australia, and engages in the exploration, mining, processing and sale of iron ore and, relying on its own high-quality iron ore resources, produces the wind power ductile casting iron products in China to supply the high-quality raw materials for the new energy industry.	HK\$0.14.6 million	HK\$4.0	14.94	7.64	HK\$7,798.7 million
18 March 2026	Kaisu Health Group Holdings Limited (8716)	The dental business, including the sale and production and research and development of dental prosthetics and trading of dental implant instruments, and healthcare business, including provision of public health and medical services.	RMB21,603,729 (equivalent to approximately HK\$2,412.214)	HK\$0.175	(10.30)	0.00	HK\$983.3 million
21 January 2026	Shaw Brothers Holdings Limited (953)	The investments in films, drama and non-drama, and artistic and event management.	RMB4,576.50 million (equivalent to approximately HK\$5,097.52 million)	HK\$0.320	(14.70)	(9.60)	HK\$593.5 million
18 January 2026	Da Sen Holdings Group Limited (1580)	The (i) plywood product business; (ii) wood-related services business, including referral, design and project management services; and (iii) the leasing business.	HK\$5,097.52 million	HK\$0.17	(43.30)	(26.20)	HK\$328.7 million
17 December 2025	CAI Corp (80)	The listed and unlisted equity investments, and a diversified portfolio of financial products investment.	HK\$71,559,999.72	HK\$0.36	(5.26)	(4.00)	HK\$752.2 million
5 December 2025	GR Life Style Company Limited (108)	The (i) property management in the PRC; and (ii) property development and investments in the PRC, the United States of America and the United Kingdom.	RMB269.0 million (equivalent to approximately HK\$294.8 million)	HK\$1.6	(59.80)	(58.12)	HK\$12,813.1 million
28 November 2025	Global New Material Holdings Limited (6616)	The business of production and sales of pearlescent pigment products and synthetic mica powder in the PRC.	RMB69,021,350	HK\$6.01	0.00	9.73	HK\$9,923.3 million

Date of announcement	Company name (Stock Code)	Principal business	Principal amount	Issue price	Premium/(discount) of issue price over/ to the average closing price of five trading days prior to and including the last trading day/on the date of the respective announcement/ agreement (%)	Premium/(discount) of issue price over/ to the average closing price of five trading days prior to and including the last trading day/on the date of the respective announcement/ agreement (%)	Market capitalisation as at the respective date of announcement/ agreement/ approximately HK\$422.5 million
6 November 2025	Zhongshen Jiayue Holding Limited (2583)	A comprehensive general contracting construction enterprise with first-grade qualifications in building construction general contracting, municipal and public construction general construction, foundation construction specialised contracting, building electrical and mechanical installation and engineering specialised contracting, and building renovation and decoration construction specialised contracting. The beauty and health management service, including beauty and wellness services, aesthetic medical services as well as subhealth medical services in the PRC.	HK\$213,574,999.94	HK\$0.53	(7.02)	(6.69)	HK\$422.5 million
15 October 2025	Beauty Farm Medical and Health Industry Inc. (2373)		RMB1,250.0 million (equivalent to approximately HK\$1,369.2 million)	HK\$28.71	(19.67)	(21.13)	HK\$7,969.9 million
					14.94	9.75	
					(59.80)	(58.12)	
					(16.12)	(12.04)	
					(10.30)	(6.69)	
					(20.6)	(12.2)	

Source: The website of the Stock Exchange (www.hkex.com.hk)

As shown in the above table, we noted that the issue prices of the Comparables ranged from (i) a discount of approximately 59.80% to a premium of approximately 14.94% over the respective closing prices of the shares on the last trading day/the date of the relevant announcement/agreement (the “Market Range”), with an average discount of approximately 16.12% (the “Market Average”); and (ii) a discount of approximately 58.12% to a premium of approximately 9.73% over the respective average closing prices of the shares on the last five trading days up to and including the date of the respective announcement/agreement (the “5-Day Market Range”), with an average discount of approximately 12.04% (the “5-Day Market Average”).

In light of the wide range of premiums and discounts observed in the Market Range (i.e. ranging from a discount of approximately 59.80% to a premium of approximately 14.94% over the respective closing prices of the shares on the last trading day or the date of the relevant announcement or agreement) and the 5-Day Market Range (i.e. a discount of approximately 58.12% to a premium of approximately 9.73% over the respective average closing prices of the shares on the last five trading days up to and including the date of the respective announcement/agreement), we have considered whether any outliers should be excluded from the analysis. We have determined not to exclude any transactions from the Comparables for the following reasons: (i) notwithstanding that the discount of approximately 59.80% (being the highest discount observed in the Market Range) might be regarded as an outlier, the presence of the second highest discount of approximately 43.30% in the Market Range, which also constitutes a significant discount within the Market Range, indicates that significant discounts occur across multiple transactions within the Comparables, illustrating that the wide dispersion is not attributable to a single outlier transaction; (ii) the broad dispersion reflects the recent market practices among listed companies issuing new shares under specific mandate for business acquisition purposes, and excluding any transactions would impact the completeness of the analysis; (iii) the Comparables represent an exhaustive list of all transactions identified under the Selection Criteria, and any subjective exclusion would lessen the exhaustiveness and affect the objectivity; and (iv) the observed range does not affect the relevance of the Comparables, as the Market Average and the 5-Day Market Average represent the mean values of the range. Accordingly, we have included all nine Comparables without excluding any transactions as outliers.

We observed that the Issue Price of HK\$1.85 represents: (i) a discount of approximately 20.6% to the closing price per Share of HK\$2.33 as quoted on the date of the Acquisition Agreement; and (ii) a discount of approximately 12.2% to the average closing price per Share of HK\$2.11 for the last five consecutive trading days immediately preceding the date of the Acquisition Agreement.

Despite the discount of the Issue Price is above the Market Average and the 5-Day Market Average, taking into account that: (i) the discount of the Issue Price is within the Market Range and the 5-Day Market Range; and (ii) the closing price of the Shares has increased significantly since December 2025 while the financial performance of the Group remains unsatisfactory, we consider that the Issue Price is justifiable.

Our view

Having considered the above, in particular that:

- (i) the Group recorded net loss attributable to owners of the Company of approximately HK\$94.8 million in FY2024 and HK\$98.3 million in FY2025 as discussed under the section headed “(1) Principal business and financial information of the Group” above;
- (ii) the Issue Price is determined an arm’s length basis after taking into account various factors, including among others, the recent trading performance of the Shares, the recent market conditions, the current financial position and business prospects of the Group;
- (iii) the Selection Criteria as a whole are fair and representative for the purpose of comparison;
- (iv) the Comparables represent an exhaustive list of all transactions identified under the Selection Criteria;
- (v) we have determined not to exclude any outliers from the Comparables notwithstanding the wide range of premiums and discounts observed, as including all nine Comparables preserves the objectivity and completeness of the analysis;
- (vi) we have considered the differences in business nature, transaction nature and market capitalisation, and we have found that they do not affect the comparability of the Comparables;
- (vii) the comparative assessment of the Issue Price against the Market Range, the 5-Day Market Range, the Market Average and the 5-Day Market Average that the Issue Price falls within the Market Range and the 5-Day Market Range, which aligns with market practice as compared to recent issuance of new shares for the purpose of acquisition; and

(viii) its difficulty in conducting fundraising activities through alternative methods such as bank borrowings or equity financing due to reasons as discussed under the paragraph headed “Other alternative financing methods considered” above;

we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

(4) Dilution effect on the shareholding interests of the existing public Shareholders

The following table summarises the shareholding structure of the Company as at the Latest Practicable Date and upon issue of the Consideration Shares (assuming that there is no other change in the share capital of the Company):

	As at the		Immediately	
	Latest Practicable Date		upon Completion	
	<i>No. of</i>		<i>No. of</i>	
	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>
Hong Kong Futong Optical Fiber Company Limited (Note)	195,000,000	65.22%	195,000,000	56.14%
Seller	–	–	48,367,000	13.92%
Public Shareholders	<u>103,976,000</u>	<u>34.78%</u>	<u>103,976,000</u>	<u>29.94%</u>
	<u>298,976,000</u>	<u>100%</u>	<u>347,343,000</u>	<u>100%</u>

Note:

Hong Kong Futong Optical Fiber Company Limited is owned as to 100% by Futong China.

Assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and Completion for the allotment and issue of Consideration Shares, the interests of the public Shareholders of the Company will be diluted from approximately 34.78% to 29.94%.

Considering that: (i) the Acquisition is in the interest of the Company and the Shareholders as a way of strategic expansion into the PRC market; and (ii) the Issue Price is on normal commercial terms, fair and reasonable so far as the Shareholders are concerned as discussed above, we consider that the aforesaid dilution effect on the shareholding interest of public shareholders to be acceptable and justifiable.

(5) Potential financial effects of the Acquisition

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company. The Target Group will be consolidated in the Group as subsidiaries, and the financial information of the Target Group will be consolidated into the Group's consolidated financial statements.

Assets and liabilities of the Enlarged Group

Based on the 2025 Annual Report, as at 31 December 2025, the Group had total assets, total liabilities and net assets of approximately HK\$321.4 million, HK\$48.2 million and HK\$273.1 million, respectively.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, had the Acquisition been completed on 31 December 2025, the total assets, total liabilities, and net assets of the Enlarged Group would have been approximately HK\$479.2 million, HK\$126.1 million, and HK\$353.1 million, respectively.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2025 was prepared based on (i) the Group's audited consolidated statement of financial position as at 31 December 2025; (ii) the Target Group's audited consolidated statement of financial position as at 31 December 2025; and (iii) the pro forma adjustments described in the notes to the unaudited pro forma statement of assets and liabilities. Further details of the unaudited pro forma financial information of the Enlarged Group immediately following Completion are set out in Appendix III to the Circular.

Earnings of the Enlarged Group

Upon completion of the Acquisition, Hangzhou Company will become a non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Enlarged Group. The Directors believe the Acquisition will have a materially positive impact on the Enlarged Group's earnings profile for the following reasons:

Substantial Expansion of the Revenue Base

Based on Hangzhou Company's unaudited revenue of approximately RMB85.46 million for the first quarter of 2026, its annualized revenue for the year ending 31 December 2026 is estimated at approximately RMB341.82 million. This represents a significant increase of approximately 1,502% over the Company's revenue of RMB21.34 million in FY2025. The consolidation of this expanded revenue base is expected to drive significant top-line growth and support a robust recovery in the Enlarged Group's consolidated earnings position.

Strategic Synergies and Cost Efficiencies

Beyond direct earnings, the Acquisition is expected to yield meaningful operational synergies:

- **Supply Chain Integration:** Integrating Hangzhou Company's production capacity for optical fiber preforms and fibers will secure an internalized upstream supply for the Group's downstream operations in Hong Kong and Thailand, reducing procurement costs and alleviating supply chain constraints.
- **Margin Improvement:** Leveraging Hangzhou Company's PRC-based manufacturing facilities is expected to lower the Group's overall production cost base relative to its existing Hong Kong operations. This enhanced cost efficiency is expected to improve gross margins and strengthen the Group's competitiveness in both international and PRC domestic markets.

The Directors acknowledge that for the year ended 31 December 2025, the Target Group recorded audited revenue of approximately RMB21.3 million and a total comprehensive loss of approximately RMB43.8 million (as detailed in Appendix II). However, taking into account the Q1 2026 turnaround and the Profit Guarantee, the Acquisition is strategically positioned to broaden the Enlarged Group's revenue and earnings base for the year ending 31 December 2026.

Further details on the illustrative financial effects of the Acquisition, including the bases for the unaudited pro forma financial information of the Enlarged Group, are presented in Appendix III of the Circular.

Excess of the Consideration over Net Book Value of the Target Company

As disclosed in the Appendix II of the Circular, the audited consolidated net assets of the Target Group as at 31 December 2025 amounted to approximately RMB21.0 million. As the Target Company is an investment holding company whose sole material asset is its indirect 51% equity interest in Hangzhou Company, the net book value of the Target Group is effectively represented by its attributable share of Hangzhou Company's net assets. On this basis, the net book value attributable to the 51% equity interest acquired under the Acquisition amounts to approximately RMB10.7 million (being 51% of RMB21.0 million).

The Consideration for the Acquisition is RMB78.0 million, representing the entire equity interest in the Target Company, which in turn indirectly holds a 51% equity interest in Hangzhou Company. On the basis of the audited net assets of the Target Group as at 31 December 2025, the Consideration represents a premium of approximately RMB67.3 million over the net book value of the 51% equity interest attributable to the Target Group – equivalent to a premium of approximately 6.3 times the audited net book value as at 31 December 2025.

The Directors believe the audited net book value (NBV) as of 31 December 2025 does not accurately reflect Hangzhou Company's fair value or prospective earnings capacity for the following reasons:

1. **Non-Recurring Impairments:** The NBV was significantly suppressed by past losses, most notably a one-off, non-cash impairment of RMB169.5 million in FY2023 regarding legacy receivables. These charges are non-recurring and do not reflect the Target's core operational capabilities. Excluding these non-cash items, the underlying asset base is materially more substantial than the reported NBV suggests; and
2. **Earnings-Based Valuation:** The Consideration was primarily determined by the FY2026 Profit Guarantee of RMB50 million. The implied price-to-guaranteed-earnings multiple of 3.06x is considered conservative and reflects the Target's genuine earnings potential. This forward-looking valuation is substantiated by a decisive turnaround in Q1 2026, during which the company recorded an unaudited net profit before tax of RMB31.3 million.

While the Consideration represents a premium over audited NBV, the Directors consider it fully justified by the Target Company's demonstrated earnings recovery, the protection of the Profit Guarantee, and the strategic value to the Enlarged Group. Accordingly, the Directors view the Consideration as fair, reasonable, and in the interests of the Company and its Shareholders as a whole.

In assessing the potential financial effects of the Acquisition, the pro forma net assets of the Enlarged Group reflect an increase relative to the Group's net assets before the Acquisition, the increase in total assets and net assets reflect a significant expansion of the Group's asset base. In addition, the Enlarged Group's net asset position remains positive. We also noted that the enlarged asset base could, in principle, provide the Group with additional flexibility, although subject to change upon Completion. We have further noted that the Target Group recorded a loss and total comprehensive loss for the year ended 31 December 2025. Following Completion, the financial results of the Target Group will be combined with those of the Group, thereby affecting the Group's earnings. Nevertheless, we have taken into

account the arrangement of Profit Guarantee in our assessment. Based on the arrangement of Profit Guarantee, should the Profit Guarantee be achieved, the Acquisition may have the potential to contribute positively to the Enlarged Group from the year ending 31 December 2026 onwards, although this is not guaranteed and depends on the Target Group's future financial performance and whether the Profit Guarantee can be fulfilled. The actual financial effect on earnings is subject to change upon Completion.

The financial effect of the Acquisition as set out in the foregoing paragraph is presented for illustrative purpose only and is subject to change upon Completion, review and final audit by the auditor of the Company.

(6) Information of the parties to the Proposed Transactions

The Seller

The Seller is an investment holding company and ultimately beneficially owned by Mr. Cao Dong Dong. Mr. Cao is the sole shareholder and director of the Seller, a company registered and established in Hong Kong on 29 November 2002. Mr. Cao possesses over 25 years of experience in the fields of optical fiber cables, telecommunication accessories and raw materials, as well as investment in telecommunication integrated circuit research and development.

Futong China

Futong China and its subsidiaries are principally engaged in manufacturing, sales, trading of optical fiber preforms, optical fibers and optical fiber cables and service provision in the PRC. Futong China is ultimately beneficially owned by Mr. Wang Jianyi (王建沂) who is also the chairman of Futong China.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE MASTER SALE AGREEMENT (INCLUDING THE ANNUAL CAPS)

In arriving at our opinion in respect of the Master Sale Agreement (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

(1) Background of the Master Sale Agreement

Background of the Master Sale Agreement

Historically, and to date, Hangzhou Company has partnered with Futong China to participate in tenders for state-owned telecommunications operators. Under this arrangement, it supplies optical fibers, which are then processed into optical fiber cables by Futong China for final sale to the telecommunications operators.

Upon completion of the Acquisition, Hangzhou Company will be accounted for as a non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group. To comply with the relevant requirements under the Listing Rules in relation to the continuing connected transactions, on 13 April 2026, the Board announced that Hangzhou Company and Futong China entered into the Master Sale Agreement, pursuant to which Hangzhou Company has agreed to sell, and Futong China has agreed to buy, optical fibers within the Annual Caps, subject to the terms of the Master Sale Agreement.

(2) Major terms of the Master Sale Agreement

Principal terms of the Master Sale Agreement are set out below:

Date:	13 April 2026
Parties:	(i) Futong China (as purchaser); and (ii) Hangzhou Company (as vendor).
Period:	Commencing on the date of approval from the Shareholders at the EGM and ending on 31 December 2028
Subject matter:	Supply of optical fibers complying with the relevant optical fiber technical specification

Pricing basis:

The sales price of optical fibers under each transaction contemplated under the Master Sale Agreement will be determined on a case-by-case basis and set out in the relevant sales order after arm's length negotiation between Hangzhou Company and Futong China on normal commercial terms. In determining the sales price, the Group will primarily refer to quotations obtained from independent trading companies for optical fibers of comparable quality and specifications. The Group will normally obtain at least two quotations within approximately one month prior to the relevant transaction (or within a shorter period during times of significant price volatility) and determine an average market price based on such quotations, which will serve as the benchmark base price.

To ensure that such benchmark base price is consistent with prevailing market conditions and does not materially deviate from general market pricing levels, the Group will crosscheck the quotations obtained from independent trading companies against other available market information, including:

- (a) publicly available bidding and tender prices offered by telecommunication operators in the PRC, which serve as general market benchmarks for assessing prevailing market pricing levels; and
- (b) pricing information available from industry-related websites, where applicable, such as optical fiber price information published by CRU Group on www.crugroup.com, which is used as supplementary reference material for monitoring broader market trends and movements.

The Company will then determine the final selling price with reference to the benchmark base price (for example, market price), subject to adjustments of up to approximately 20% above or below such benchmark base price. In particular, the extent of any pricing adjustment will be determined with reference to factors including (i) order size, where discounts may be granted for substantial orders generally of not less than 200,000 km of optical fibre; (ii) delivery schedule and payment terms, where discounts may be granted if delivery acceptance and payment can be completed within one month; and (iii) technical specifications, where premiums may be charged for products requiring customised specifications or additional production requirements.

The above pricing mechanism and adjustment criteria are applied equally and consistently to Futong China and Independent Third-Party customers. In assessing whether any discount or premium should be applied and the extent thereof, the Group will evaluate Futong China and Independent Third Party customers on the same basis and by reference to the same factors and commercial circumstances. The pricing adjustments offered to Futong China shall be no less favourable than those offered to Independent Third-Party customers under the same or similar circumstances. Where no directly comparable transaction is available, the Group will make reference to the most recent transactions with Independent Third-Party customers having comparable commercial characteristics.

In any event, the final selling price offered to Futong China shall be determined on a cost-plus basis with a margin of no less than 3%. After taking into account any applicable pricing adjustments or discounts, the final price shall remain above the Group's cost of production and be conducted on normal commercial terms, such that the relevant transaction will continue to be profitable to the Group.

Where available, the terms agreed with the Group will also consider pricing terms offered to Independent Third-Party customers for products of comparable quality, specifications and quantities in two recent transactions as an additional reference. Where such comparable Independent Third-Party transactions are not available at the relevant time, the Group will rely primarily on the benchmark base price and prevailing market information described above.

Whenever the Group receives a purchase order from Futong China, Hangzhou Company will compare the proposed transaction terms against prevailing market pricing information and/or at least two comparable transactions with Independent Third-Party customers, where available, and report to senior management accordingly. The relevant transaction terms will be reviewed to ensure that the terms offered to Futong China are fair and reasonable, on normal commercial terms, and no less favourable to Hangzhou Company than those offered to Independent Third Parties. The Directors consider that reference to two comparable transactions with Independent Third-Party customers is sufficient as the pricing basis is primarily determined with reference to prevailing market prices, which are relatively transparent and readily obtainable in the optical fiber market. The comparable transactions serve as an additional crosscheck to ensure that the terms offered to Futong China are no less favourable to Hangzhou Company than those offered to Independent Third Parties, while maintaining operational efficiency and avoiding unnecessary administrative burden.

Payment term: On the basis of the credit terms Futong China normally accords to other suppliers, Futong China is required to pay 100% within 90 days of the total invoice amount after delivery of goods.

(3) Reasons of and benefits for the Continuing Connected Transactions

Historically, and to date, Hangzhou Company has partnered with Futong China to participate in tenders for major telecommunications operators in the PRC. Under this arrangement, it supplies optical fibers, which are then processed into optical fiber cables by Futong China for final sale to the telecommunications operators.

To the best knowledge of the Directors, Hangzhou Company is unable to participate independently in tender processes conducted by major PRC telecommunications operators for two distinct and mutually reinforcing reasons. First, these operators – predominantly large-scale state-owned enterprises – impose stringent pre-qualification requirements on prospective suppliers, placing considerable weight on production scale and a proven track record of large-scale contract fulfilment. As a standalone entity, Hangzhou Company’s current production capacity and commercial standing fall materially short of the thresholds required for independent bidding. Second, and more fundamentally, Hangzhou Company does not manufacture the product that telecommunications operators actually procure. These operators purchase optical fiber cables – the fully finished downstream product at the end of the optical fiber value chain – whereas Hangzhou Company’s manufacturing operations are confined to optical fiber preforms and optical fibers, which are upstream and intermediate inputs. As Hangzhou Company does not possess the in-house capability to produce optical fiber cables, it is unable to fulfil a telecommunications operator’s procurement requirements on a standalone basis, regardless of its qualification status. It is this combination of a qualification gap and a fundamental product mismatch that makes the collaborative bidding arrangement with Futong China a structural necessity rather than a matter of commercial preference. Under the arrangement, Hangzhou Company supplies optical fibers to Futong China, which processes them into optical fiber cables and sells the completed product to the telecommunications operators – bridging both barriers simultaneously and representing the only viable channel through which Hangzhou Company can indirectly access this segment of the market.

In practice, the tender participation process operates as follows. Upon receiving a tender invitation from a PRC telecommunications operator for the procurement of optical fiber cables, Futong China initiates an internal sourcing process by circulating the relevant tender specifications – including technical requirements, pricing parameters, payment terms, and production schedules – to its related parties capable of supplying optical fiber, including Hangzhou Company. Each related party is invited to submit a supply proposal on a competitive basis. Following the award of a purchase order by the telecommunications operator to Futong China, Futong China evaluates the proposals received and selects its optical fiber supplier from among the participating related parties, with Hangzhou Company being one such candidate. The selection is made having regard to, among other factors, pricing competitiveness, fulfilment capacity, and delivery reliability. Accordingly, whilst Hangzhou Company participates in the process at the invitation of Futong China, the award of any supply contract to Hangzhou Company is not guaranteed and remains subject to Futong China’s assessment of the most suitable supplier for each particular tender.

Although Hangzhou Company will continue to leverage Futong China’s partnership for certain telecommunications operator bids, it is dedicated to diversifying its client base through direct-to-market initiatives. This strategy focuses on capturing demand from the PRC’s emerging technology sectors, including AI infrastructure and data center hubs. For the three years ended 31 December 2025, sales to customers other than Futong China

(excluding the Group) accounted for approximately 30.3%, 100%, and 68.6% of Hangzhou Company's total revenue respectively. In parallel with the collaborative bidding arrangement, Hangzhou Company has established a dedicated internal marketing and sales team responsible for direct sales to independent customers. The effectiveness of this direct sales capability is demonstrated by the three months ended 31 March 2026, during which approximately 71.4% of Hangzhou Company's revenue was generated from sales to not less than 10 external independent customers, including (i) manufacturers specializing in manufacturing and technology solutions for the power, optical fiber, and telecommunications sectors; and (ii) trading companies for the power, optical fiber, and telecommunications sectors, all secured through the proactive efforts of its internal marketing team without reliance on the collaborative bidding framework underscoring Hangzhou Company's capacity to develop and sustain direct commercial relationships on a standalone basis. To the best of the Directors' knowledge, all sales made to the independent clients during the first quarter of 2026 were fully completed and settled as at the Latest Practicable Date.

To capitalize on these business opportunities, Hangzhou Company has established a dedicated internal marketing and sales team, under the direct supervision of the chairman and general manager of Hangzhou Company. This team, comprising two seasoned professionals who have been with Hangzhou Company for over three years, is responsible for developing and managing direct commercial relationships with customers. These operations are conducted entirely independently of the collaborative bidding arrangements facilitated through Futong China. To identify procurement opportunities and maintain key accounts, the team conducts regular site visits to prospective and recurring customers and actively participates in industry exhibitions and trade fairs.

The effectiveness of this independent sales capability is demonstrated by the three months ended 31 March 2026, during which approximately 71.4% of Hangzhou Company's revenue was generated from sales to not less than 10 external independent customers, including (i) manufacturers specializing in manufacturing and technology solutions for the power, optical fiber, and telecommunications sectors; and (ii) trading companies for the power, optical fiber, and telecommunications sectors, all secured through its own internal marketing efforts without any reliance on Futong China. Following the Completion, Hangzhou Company's revenue is expected to be derived in broadly equal proportions across three distinct tiers: (i) Export Sales, serving the Group's existing international markets; (ii) Domestic Direct Sales, targeting independent end-users in the PRC; and (iii) Collaborative Bidding, continuing the historical practice of partnering with Futong China to bid for projects from major PRC telecommunications operators. Under this three-tiered structure, sales to Futong China (excluding the Group) are expected to account for no more than approximately one-third of Hangzhou Company's total revenue – a threshold expressly adopted as a deliberate policy ceiling to proactively limit the Group's long-term revenue reliance on Futong China Group. As Hangzhou Company continues to build out its independent sales network and deepen direct relationships with domestic end-users, the

Board intends to progressively reduce the proportion of revenue attributable to Collaborative Bidding, with a corresponding increase in the contribution from Domestic Direct Sales and Export channels. Accordingly, having regard to the scale and depth of the PRC market, which is sufficient to accommodate the concurrent operations of both the Group and the Futong China Group, the Directors are of the view that, following the Completion, the Group's PRC business will not be materially reliant on Futong China Group.

Futong China and its subsidiaries (excluding the Group) are principally engaged in the manufacturing, sales and trading of optical fiber preforms, optical fibers and optical fiber cables, and the provision of related services in the PRC. During the three years ended 31 December 2025, Futong China derived the majority of its revenue from supplying optical fiber and optical cables to China's major state-owned telecommunications operators through centralised procurement programmes.

Based on the following reasons and factors, and in particular the conflict of interest measures to be adopted by the Group and Futong China Group upon Completion, the Directors are of the view that the potential conflict of interest is not extreme and will not materially prejudice the interests of the Shareholders as a whole:

- according to IBISWorld, an independent global industry research firm, the optical fiber and cable manufacturing industry in China reached a market size of approximately USD118.6 billion in 2026, having grown at a CAGR of 4.7% between 2020 and 2025. Since the end of 2025, the PRC optical fiber and optical cable market has expanded rapidly, driven by structural demand from domestic and overseas AI data centres, computing infrastructure, and large-scale national deployment of information infrastructure. Given the scale and pace of this expansion – with the industry transitioning into a supply-constrained seller's market since early 2026 – the presence of two entities, namely Futong China and Hangzhou Company, operating within the same broad sector does not, by that fact alone, give rise to material competitive conflict. The market possesses sufficient scale and depth to accommodate multiple producers serving distinct customer segments without significant overlap;
- the customer bases of Hangzhou Company and Futong China are fundamentally distinct. Historically, Futong China derived the majority of its revenue from supplying optical fiber and optical cables to China's major state-owned telecommunications operators through centralised procurement programmes. Hangzhou Company, by contrast, will adopt a three-tier sales model upon Completion: exporting optical fibers to the Group for downstream optical fiber and cable production; and selling directly to domestic customers that fall outside the major telecommunications operator segment. As Hangzhou Company is engaged solely in the production and sale of optical fibers – and has neither the

capability nor the intention to manufacture optical fiber cables – its business is in material respects complementary to, rather than in direct competition with, the business operations of Futong China; and

- the conflict of interest measures to be adopted by the Group and Futong China Group upon Completion:
 - i. the senior management of the Futong China Group are restricted from participating in the management of any competing business within the Group, and vice versa. As at the Latest Practicable Date, none of the Directors or members of senior management of the Company or Hangzhou Company hold any position in the Futong China Group; and
 - ii. Futong China Group shall procure that any potential business opportunity relating to the sale of optical fiber and/or optical cable to customers, other than the three state-owned telecommunications operators which have an existing business relationship with the Futong China Group, (each, a “**Controlling Shareholder’s New Business Opportunity**”) identified by or offered or made available to the Futong China Group shall first be referred to the Group. Futong China Group shall give written notice to the Company setting out details of the relevant Controlling Shareholder’s New Business Opportunity, including but not limited to the identity of the potential customer(s), product specifications and pricing, and the proposed delivery timetable. Upon receiving such notice, the Company shall seek approval from a committee comprising only independent non-executive Directors who have no interest (whether actual or potential, direct or indirect) in the relevant Controlling Shareholder’s New Business Opportunity (the “**Independent Board Committee**”) as to whether the Company shall pursue such opportunity. The Independent Board Committee shall take into account all relevant factors in considering whether the Company shall pursue the Controlling Shareholder’s New Business Opportunity, including whether the Group has sufficient resources and capacity to do so with reasonable profitability, and, if appropriate, may appoint independent financial advisers, legal advisers or other professional advisers to assist in the decision-making process. The Independent Board Committee shall, within 20 Business Days of receipt of such notice (or such longer period as the parties may agree in writing), inform Futong China Group in writing on behalf of the Company of its decision as to whether the Company will pursue the Controlling Shareholder’s New Business Opportunity. Futong China Group shall be entitled (but not obliged) to pursue such Controlling Shareholder’s New Business

Opportunity if the Independent Board Committee declines such opportunity by written notice, or if the Independent Board Committee fails to inform Futong China Group of its decision within the prescribed timeframe.

Having considered that, (i) the Group has well-established and ongoing business relationship with Futong China; (ii) the Group is principally engaged in manufacturing and sales of optical fibre and optical fibre cable, and the transactions under the Master Sale are a furtherance of the Group's principal businesses; (iii) the Annual Caps, if approved, should facilitate the transactions under the Master Sale Agreement to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; (iv) the Group has the right but not the obligation to transact with Futong China and/or its associates at terms determined in accordance with the respective pricing policies; and (v) given Hangzhou Company's insufficient scale, track record, and its historical and planned collaboration with Futong China under the Master Sale Agreement is the viable channel to indirectly access telecommunications operators in the PRC, providing stable income and economies of scale, we are of the view that the entering into of the Master Sale Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Internal control

In order to ensure the terms of the Master Sale Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no less favourable than those offered by the Group to Independent Third-Party customers, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the finance manager of the finance department of the Company will closely monitor the transactions contemplated under the Master Sale Agreement to ensure that the transaction amount will not exceed the Annual Caps under the Master Sale Agreement. Specifically, the finance manager will be responsible for reviewing monthly records of transaction amounts, comparing the cumulative usage against the Annual Caps, and identifying any risk of exceeding the caps;
- (ii) the sales department of the Company will monitor the prevailing market prices and demand for optical fibers and collect market information and comparable transaction data from Independent Third-Party customers. Specifically, the relevant staff will obtain and compare at least two recent comparable transactions or quotations with Independent Third-Party customers for products of similar quality, specifications and quantities, as well as prevailing market information such as publicly available operator tender prices and market quotations. The sales manager will review and

approve the relevant sales order only if the terms offered to Futong China are no less favourable to the Group than those offered to Independent Third-Party customers under comparable circumstances;

- (iii) the finance manager of the finance department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Master Sale Agreement are conducted on normal commercial terms by reviewing the comparable transactions, quotations and market information obtained by the sales department of the Company, in accordance with the terms set out in the Master Sale Agreement and whether the relevant contract terms are in the interests of the Company and the Shareholders as a whole;
- (iv) the Company's auditor will conduct an annual review of the transactions entered into under the Master Sale Agreement to ensure that the transaction amount is within the Proposed Annual Caps and the transactions are in accordance with the terms set out in the Master Sale Agreement; and
- (v) the Company's independent non-executive Directors will review the status of the transactions contemplated under the Master Sale Agreement (on at least an annual basis) to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

In view of the pricing basis and internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Master Sales Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

(4) The Annual Caps and Historical Transaction Amounts

The Annual Caps in respect of the transactions contemplated under the Master Sale Agreement for the three years ending 31 December 2028 is RMB140 million, RMB166 million and RMB169 million, respectively.

The Annual Caps are determined taking into account the following major factors and assumptions.

The sales of optical fibers from Hangzhou Company to Futong China Group (excluding the Group) for the three years ended 31 December 2025 were approximately RMB15.4 million, nil and RMB6.2 million, respectively. Under the collaborative tender model described above, Hangzhou Company's sales to Futong China are entirely demand-driven and contingent upon (i) Futong China successfully securing telecom procurement

contracts from state-owned operators; and (ii) Hangzhou Company being selected by Futong China as its fiber supplier for those contracts. The nil in 2024 reflected both conditions going unmet. Challenging market conditions – characterised by industry-wide overcapacity, sustained price depression and weak downstream demand – prevented Futong China Group from winning sufficient telecom procurement contracts during the year. With mainstream G.652.D single-mode fiber trading within a depressed range of approximately RMB18 to RMB25 per core-kilometre, aggressive low-cost competition from PRC-based manufacturers rendered collaborative bidding commercially unviable at acceptable margins, and no fiber procurement orders were accordingly placed with Hangzhou Company.

During the same period, Hangzhou Company recorded total revenue of approximately RMB22.10 million, RMB24.41 million and RMB21.34 million for the three years ended 31 December 2025 respectively. Of this, sales to Futong China (excluding the Group) accounted for approximately 69.7%, nil and 31.4% of Hangzhou Company's total revenue for the three years ended 31 December 2025, respectively.

The Directors consider that the historical transaction amounts are not representative of the expected scale of transactions going forward, for the following reasons. First, Hangzhou Company's overall revenue base has undergone a transformative expansion since the fourth quarter of 2025, driven by the significant surge in market prices for optical fibers and optical fiber preforms and the corresponding uplift in customer demand. Second, upon completion of the Acquisition, Hangzhou Company's business operations will be reorganised under a proposed three-tiered sales model, which is expected to materially alter the composition and quantum of sales directed to Futong China (excluding the Group) as compared to the historical pattern. The Annual Caps have accordingly been determined on a forward-looking basis, with primary reference to Hangzhou Company's projected revenue trajectory and the anticipated sales allocation under the new business model, rather than the historical transaction amounts.

The Annual Caps were determined with reference to the following:

(a) *Projected total revenue of Hangzhou Company*

Based on Hangzhou Company's unaudited revenue of approximately RMB85.46 million for the three months ended 31 March 2026, the annualised revenue of Hangzhou Company for the year ending 31 December 2026 is estimated at approximately RMB341.82 million. This represents a substantial increase of approximately 1,502% over Hangzhou Company's total revenue of RMB21.34 million for the year ended 31 December 2025, reflecting the significant improvement in market pricing conditions for optical fibers and optical fiber preforms that has taken hold since the fourth quarter of 2025, as well as the corresponding growth in sales volume. The Board considers the first-quarter 2026 revenue figures to be the most current and reliable basis for projecting Hangzhou Company's near-term revenue trajectory, and has accordingly adopted the annualised first-quarter 2026 revenue as the primary reference point for estimating the Annual Caps.

(b) Estimated proportion of sales to Futong China (excluding the Group)

Taking into account (i) the historical revenue attributable to sales to Futong China (excluding the Group) for the three years ended 31 December 2025, and (ii) the anticipated sales allocation under the proposed three-tiered sales model, the Directors estimate that sales to Futong China (excluding the Group) will not exceed approximately one-third of Hangzhou Company's total revenue for each of the three years ending 31 December 2028. Applying this one-third threshold to the projected annualized revenue of RMB341.82 million in FY2026 results in a projected annualized transaction amount ("Projected Annualized Transaction Amount") of approximately RMB113.9 million.

This one-third allocation is mainly predicated on the expected revenue structure of Hangzhou Company following the Completion. In the initial post-completion phase, revenue is expected to be derived in broadly equal proportions across three tiers: (i) Export Sales, serving the Group's existing international markets; (ii) Domestic Direct Sales, targeting independent end-users in the PRC such as data center operators and AI computing clusters; and (iii) Collaborative Bidding, continuing the historical practice of partnering with Futong China to bid for projects from major PRC telecommunications operators. While each tier is initially expected to contribute approximately one-third of total revenue, the one-third cap has been set as a deliberate policy ceiling.

This ensures that the Annual Cap remains broadly consistent with the Collaborative Bidding tier while proactively limiting Hangzhou Company's long-term revenue reliance on Futong China.

The Annual Cap of RMB140 million for the year ending 31 December 2026 include a buffer ("Annual Caps Buffer") of around 20% over the Projected Annualized Transaction Amount of approximately RMB113.9 million. The Directors consider this buffer to be necessary and appropriate based on the following factors:

- The Annual Caps Buffer serves as a prudent operational buffer to accommodate recent volatility and upward movements in optical fibre prices, as well as potential fluctuations in procurement demand. In particular, market prices of mainstream G.652D single-mode optical fibre have experienced significant fluctuations and a marked upward trend in recent periods, increasing from a decade low of RMB20 per core-kilometre in Q2 2025 to an initial increase of 20% to around RMB24 per core-kilometer in the second half of 2025, and further increased by multi-fold to RMB70-90 per core-kilometer in May 2026, reflecting heightened volatility in the industry driven by evolving supply-demand dynamics and accelerating demand for AI-related data centre and telecommunications infrastructure development. Against this backdrop, the Directors consider that such price volatility may lead to increases in transaction

values even if procurement volumes remain broadly in line with expectations. The Annual Caps Buffer therefore provides a prudent buffer to accommodate such market-driven fluctuations.

- The Annual Caps Buffer also serves to accommodate variability in the timing and volume of procurement. In the PRC, telecommunications operators typically conduct procurement on an irregular, project-driven basis. Actual order volumes in any given financial year are subject to acceleration or deferral due to network rollout schedules and budget approvals – factors outside the control of either Hangzhou Company or Futong China. The buffer ensures the Annual Caps remain sufficient to accommodate these fluctuations without necessitating frequent shareholder approvals for cap adjustments.
- While the Group anticipates a three-tiered revenue structure (Export, Domestic Direct, and Collaborative Bidding) in broadly equal proportions, this reflects a strategic objective rather than a guaranteed outcome. In the near term, as Hangzhou Company’s independent export and domestic sales channels are established and scaled, the proportion of revenue directed through the Collaborative Bidding tier slightly may exceed the one-third baseline. The buffer provides the necessary headroom should the development of independent channels take longer than anticipated or should market conditions favor collaborative bidding projects.
- The optical fiber and preform market is currently experiencing a robust upcycle, driven by explosive demand for AI computing infrastructure and data center expansion. In this environment, telecommunications operators may accelerate procurement schedules and increase order volumes. This could lead to a higher-than-expected volume of collaborative bidding projects being awarded to Futong China, and a corresponding increase in sales from Hangzhou Company. The Annual Caps are set to capture this potential growth.

The Annual Caps for the years ending 31 December 2027 and 2028 have been determined using the same methodology, incorporating moderate growth assumptions to reflect the anticipated expansion of Hangzhou Company’s revenue base and the scaling of its deeper direct relationships with domestic end-users and broadens its independent sales footprint within the PRC.

Having regard to the factors above, the Directors believe that the Annual Caps Buffer – and the resulting Annual Caps – represent a reasonable and prudent allowance for upside variability and projection uncertainty. The Directors consider the Annual Caps to be fair, reasonable, and in the interests of the Company and its Shareholders as a whole. The Group will monitor actual transaction volumes on an ongoing basis and will seek revised caps if it appears that actual volumes may approach the established limits.

Analysis on the principal terms of the Master Sale Agreement

With a view to assess the reasonableness of the purchase prices offered by Futong China, we have obtained a full transaction list for optical fiber transactions with connected persons and independent third parties for the years ended 31 December 2024 and 2025 and for the three months ended 31 March 2026 (the “**Transaction List**”). Based on the Transaction List, we have obtained and reviewed a total of 20 sample transactions out of a total of 40 transactions in the Transaction List, including ten sample historical transactions entered into with connected persons (the “**Sampled Connected Transaction(s)**”) and ten sample historical transactions entered into with Independent Third Parties (the “**Sampled I3P Transaction(s)**”) (together, the “**Sampled Transaction(s)**”).

The Sampled Transactions were carried out during the years ended/ending 31 December 2024, 2025 and 2026, and selected on a random basis which covered different months of the years ended/ending 31 December 2024, 2025 and 2026 involving the supply of optical fibers. Hence, we considered the Sampled Transactions for the assessment of the purchase prices offered by Futong China to be fair and representative. As aforementioned, we have obtained and reviewed a total of 20 sample transactions out of a total of 40 transactions in the Transaction List. Although the sample size constitutes only 50% based on the number of transactions in the Transaction List, the Sampled Transactions represent approximately 70% of the total transaction amounts set forth in the Transaction List. Accordingly, we consider the sample size to be sufficient when assessed on the basis of total transaction amounts in the Transaction List. As the Sample Transactions we have obtained and reviewed represent approximately 70% of the total transaction amounts in the Transaction List, we consider the sample size to be sufficient based on the total transaction amounts.

We have discussed and understand from the Management that the sales price of optical fibers for each sales order shall be determined with reference to, including but not limited to: (i) at least two quotations obtained from independent trading companies for optical fibers of comparable quality and specifications within approximately one month prior to the relevant transaction (or within a shorter period during times of significant price volatility), from which an average market price will be derived as the benchmark base price; (ii) cross-checks against publicly available bidding and tender prices offered by telecommunication operators in the PRC and pricing information from industry-related websites such as CRU Group; (iii) final selling price adjustments of up to approximately 20% above or below the benchmark base price depending on factors including order size, technical specifications, delivery schedule and payment terms, applied consistently to both independent third-party customers and Futong China; and (iv) where available, pricing terms offered to independent third-party customers for products of comparable quality, specifications and quantities in two recent transactions as an additional reference. Upon receipt of a purchase order from Futong China, Hangzhou Company will compare the proposed terms against prevailing market pricing information and/or at least two

comparable independent third-party transactions (where available), and report to senior management to ensure that the terms offered to Futong China are fair and reasonable, on normal commercial terms, and no less favourable to Hangzhou Company than those offered to independent third parties.

In this connection, we compared the Sampled Connected Transactions and Sampled I3P Transactions for reasonableness. From our work performed, which included obtaining and reviewing the contracts and comparing the unit prices, we noted that, based on our comparison, the selling price offered to Futong China for optical fibers under the Sampled Connected Transactions were generally in line with the price for selling the same to Independent Third Party customers under the Sampled I3P Transactions for similar products, with Sampled Connected Transactions observed to fall on the lower end of range.

We noted from the Letter from the Board that Futong China normally accords to other suppliers, Futong China is required to be pay 100% within 90 days of the total invoice amount after delivery of goods in relation to the payment term under the Master Sale Agreement. We noted that the payment terms under the Sampled Connected Transactions ranged from full payment in advance to payment within 20 days upon delivery. We further noted that the payment terms under the Sampled I3P Transactions ranged from full payment in advance to delivery scheduled within five working days after receipt of the full amount. Based on our review of the payment term for the Sampled Transactions, we noted that the payment terms are in line with the respective payment terms as set out above, which are shorter than the 90 days post-delivery payment term under the Master Sale Agreement.

Based on our analysis on the Sampled Transactions, including the Sampled Connected Transactions and the Sampled I3P Transactions, (i) the payment terms for the comparable products were paid 100% within 90 days of the total invoice amount after delivery of goods; and (ii) the selling price offered to Futong China for optical fibers under the Sampled Connected Transactions were generally in line with the price for selling the same to Independent Third Party customers under the Sampled I3P Transactions for similar products. On this basis, we noted that the terms of Master Sale Agreement were conducted on normal commercial terms and considered to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

In addition, the Company has adopted measures with respect to the transactions contemplated under the Master Sale Agreement in order to further safeguard the interests of the Shareholders, details of which are set out under the section headed "Internal Control" of the Letter from the Board.

With a view to ensure that the transactions pursuant to the Master Sale Agreement are conducted on normal commercial terms, and fair and reasonable to the Company and the Shareholders and are no less favourable than those offered by the Group to Independent Third-Party customers, (i) the finance manager of the Company will monitor transactions

under the Master Sale Agreement to ensure the amount does not exceed the Annual Caps by reviewing monthly records and cumulative usage; (ii) the sales department of the Company will monitor market prices and demand, comparing at least two recent independent third-party transactions or quotations to ensure terms offered to Futong China are no less favorable than those for independent customers; and (iii) the finance manager of the Company will conduct regular random checks to verify that transactions follow normal commercial terms and align with the Master Sale Agreement, safeguarding the interests of the Company and its shareholders. As advised by the Management, such internal procedures will be adopted and shall apply to transactions contemplated under the Master Sale Agreement for a period of three years.

Based on our work performed on, among others, the pricing policies and internal control procedures implemented by the Group, such as (i) the Sampled Transactions we obtained and reviewed were conducted in accordance with the applicable stated pricing policies of the Group; (ii) the Management has confirmed that the transactions under the Master Sale Agreement will be in compliance with the relevant internal control procedures and pricing policies thereunder; (iii) the document we obtained and reviewed that the Company's auditor conducted an annual review of the transactions entered into for the year ended 31 December 2025 which we considered such internal control measures is effective under the Master Sale Agreement to ensure that the transaction amount is within the Proposed Annual Caps and the transactions are in accordance with the terms set out in the Master Sale Agreement; and (iv) the document we obtained and reviewed that the Company's independent non-executive Directors reviewed the status of the transaction for the year ended 31 December 2025 which we considered such internal control measures is effective under the Master Sale Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules, we are of the view that the effective implementation of the internal control procedures and pricing policies under the Master Sale Agreement should ensure the transactions contemplated thereunder to be conducted on normal commercial terms that are fair and reasonable.

Our analysis and work performed on the Annual Caps

As set out in the Letter from the Board, the Annual Caps are determined taking into account the following major factors and assumptions that (i) projected total revenue of Hangzhou Company; and (ii) estimated proportion of sales to Futong China (excluding the Group). For further details regarding the major factors and assumptions in determining the Annual Caps, please refer to the section headed "(C) The Annual Caps and Historical Transaction Amounts" in the Letter from the Board.

In order to assess the fairness and reasonableness of the Annual Caps under the Master Sale Agreement, we have performed our work and analysis as below:

- (i) as set out in the Letter from the Board that Hangzhou Company does not possess the requisite operational scale, performance history, or internal cable manufacturing capabilities to independently participate in tenders or directly supply telecommunications operators, consequently, it has historically collaborated with Futong China by supplying optical fibers, which Futong China processes into optical fiber cables for final sale to the telecommunications operators. In view of the foregoing, and given that Futong China intends to continue purchasing optical fibers supplied by Hangzhou Company, the continuation of the transactions is commercially necessary and represents viable channel for Hangzhou Company to maintain indirect access to the telecommunications operators and derive sustained revenue from its optical fiber production;
- (ii) for the three years ended 31 December 2025, 2024 and 2023 Hangzhou Company's total sales of its optical fibers to Futong China (excluding the Group) amounted to approximately RMB6.2 million, nil, and RMB15.4 million, respectively. During the same period, Hangzhou Company's total revenue was approximately RMB21.34 million for the year ended 31 December 2025, RMB24.41 million for the year ended 31 December 2024, and RMB22.09 million for the year ended 31 December 2023, which represents the sales to Futong China accounted for approximately 69.7% for the year ended 31 December 2023, nil for the year ended 31 December 2024, and 29.1% for the year ended 31 December 2025 of Hangzhou Company's total revenue, respectively. Based on unaudited revenue of approximately RMB85.46 million for the three months ended 31 March 2026 as provided by the Management, the estimated annualised revenue of Hangzhou Company for the year ending 31 December 2026 is approximately RMB341.82 million. As set out in the Letter from the Board, sales to Futong China (excluding the Group) is expected to be no more than approximately one-third of Hangzhou Company's total revenue for each of the three years ending 31 December 2028, resulting in an estimated annualised transaction amount of approximately RMB113.9 million. Given that the Annual Caps in respect of the transactions contemplated under the Master Sale Agreement for the year ending 31 December 2026 is RMB140 million, the aforesaid estimated annualised transaction amount of approximately RMB113.9 million constitutes 81.36% of the Annual Caps in respect of the transactions contemplated under the Master Sale Agreement for the year ending 31 December 2026. The Annual Cap of RMB140 million in respect of the transactions contemplated under the Master Sale Agreement for the year ending 31 December 2026 is considered reasonable as it remains within the one-third revenue proportion limit while accommodating unforeseen increases in demand or

revenue upside. Notably, the proposed limit that the revenue to be generated from the sales to Futong China (excluding the Group) will be no more than approximately one-third of total revenue of Hangzhou Company during the three years ending 31 December 2028 is substantially lower than the historical highest level of 69.7% recorded for the year ended 31 December 2023, thereby justifying the reasonableness of the Annual Caps in respect of the transactions contemplated under the Master Sale Agreement for the year ending 31 December 2026. In addition, without assuming further growth, the estimated 1,502% increase in Hangzhou Company's total revenue from RMB21.34 million for the year ended 31 December 2025 to approximately RMB341.82 million on an estimated annualised basis for the year ending 31 December 2026 indicates a strong and growing demand for optical fibers. Accordingly, the Annual Cap of RMB140 million in respect of the transactions contemplated under the Master Sale Agreement for the year ending 31 December 2026 aligns with forecasting while allowing for operational headroom, and is therefore considered reasonable;

- (iii) as set out in the Letter from the Board that the Annual Cap of RMB140 million for the year ending 31 December 2026 includes a buffer of around 20% over the Projected Annualized Transaction Amount of approximately RMB113.9 million. Based on our work performed above under the section headed "Analysis on the principal terms of the Master Sale Agreement" in relation to obtaining and reviewing the Sampled Transactions, we noted in the Transaction List that the unit price of optical fibers has increased from 2024 to March 2026, thereby justifying the reasonableness of the Annual Caps Buffer to accommodate upward movements in optical fiber prices, as well as potential fluctuations in procurement demand that may lead to increases in transaction values. In this regard, we further observed that the percentage increase in the maximum unit price of optical fibers from 2024 to March 2026 exceeds the Annual Cap Buffer of around 20%, which further demonstrates the appropriateness of the Annual Caps Buffer as the Annual Caps Buffer of around 20% remains below the actual observed price growth percentage, illustrating that the Annual Caps Buffer is justified by market trends; and
- (iv) we have conducted research on manufacturing price in relation to optical fibers. Based on consumer price index and producer price index data for March 2026 announced by Department of Urban Statistics, National Bureau of Statistics of China in April 2026⁴ (the "NBS Announcement"), prices in the optical fiber manufacturing industry rose by 76.1% period-on-period from February 2026 to March 2026. It is further noted from the NBS Announcement that price is the result and manifestation of market supply and demand, and the price recovery indicates that the supply-demand relationship for industrial products has seen

⁴ Data announced by Department of Urban Statistics, National Bureau of Statistics of China (source: https://www.stats.gov.cn/sj/sjtd/202604/t20260410_1963265.html)

further positive changes. Accordingly, period-on-period price increase is a direct reflection of the prevailing market supply and demand dynamics, as stated in the NBS Announcement.

In relation to the reasons for the increase in prices in the optical fiber manufacturing industry, we have conducted market research. Based on the publication from the Zhejiang Provincial Economic Information Center on 12 May 2026, we noted that the increase in prices in the optical fiber manufacturing industry is primarily driven by the surge in computing power infrastructure construction, which has significantly boosted demand for optical fiber as a fundamental physical medium for data transmission. It is further noted that when demand for optical fibers surges, preform manufacturers prioritise allocating their limited production capacity to these higher-margin products, thereby crowding out capacity for standard commodity fibers and widening the supply-demand mismatch. As per our work performed above under the section headed [Analysis on the principal terms of the Master Sale Agreement] in relation to the obtain and review of Sampled Transactions, it is noted that optical fibers is the products of the Sampled Transactions. As the subject matter of the Annual Caps includes optical fibers, which are precisely the products experiencing the significant price increases and supply shortages due to the structural supply-demand imbalance described above. Accordingly, the Annual Caps are set to capture this potential growth and are considered reasonable based on the prevailing market dynamics described above.

Furthermore, it is noted from the aforesaid publication that the PRC accounts for more than half of global optical fiber shipments, with CRU data indicating that global shipments reached 662 million fiber-kilometers in 2025, representing a year-on-year increase of 15.3% and significantly exceeding the prior forecast of 587 million fiber-kilometers, of which the PRC contributed 372 million fiber-kilometers, an increase of 7.5% year-on-year, constituting 56.3% of worldwide shipments.

The demand-side drivers identified above are directly supported by official PRC government policies and infrastructure deployment targets. Specifically, we have conducted research on the policy-driven infrastructure expansion that underpins the surge in optical fiber demand. According to the news published by China National Radio* (央廣網), the official national radio broadcaster of the PRC operated by China Media Group (a state-owned media organization under the direct leadership of the Central Propaganda Department of the Chinese Communist Party), in relation to the State Council Information Office press conference held on April 21, 2026, during which the Ministry of Industry and Information Technology (the “MIIT”) mentioned and we noted that as of the end of March 2026, (i) the total number of 5G base stations nationwide reached 4.958 million; (ii) the number of 10G PON ports with gigabit network service capabilities reached 32.01 million; (iii) a total of 168 residential communities, factories, and industrial parks across 86 cities have launched 10-gigabit optical network pilot deployments; (iv) 5G-A (5G-Advanced) networks have covered 330 cities; and (v) the mobile Internet of Things (IoT) is

experiencing robust growth, with the number of connected terminals reaching 2.948 billion. We have further noted that the MIIT announced it will fully implement the deployment of the national 15th Five-Year Plan” Outline* (「十五五」規劃《綱要》) and further strengthen information and communication infrastructure construction, focusing on three areas: (i) leveraging strengths to advance deep coverage of 5G and gigabit optical networks; (ii) promoting upgrades to accelerate of large-scale 5G-A commercial deployment, implement 10-gigabit optical network pilots, and evolve “dual-gigabit” to “dual-10-gigabit” networks; and (iii) driving synergies to systematically advance R&D in 6G and next-generation Internet.

In addition, we have further conducted research on the tangible progress of these policy initiatives. Based on the notification published by the MIIT on April 21, 2026 in relation to the completion status of the 10-gigabit optical network pilot project* (工業和信息化部辦公廳關於公佈萬兆光網試點項目完成情況的通知), we noted from the aforesaid notification that it is confirmed that 136 pilot projects have successfully deployed 10-gigabit optical networks across residential communities, factories, and industrial parks, cultivating applications including cloud computing, industrial optical inspection, and AI-powered video surveillance. With the policy support and visible progress outlined above, this indicates demand for optical fibers, thereby justifying the Annual Caps and the Annual Caps is considered fair and reasonable.

Having considered that (i) the historical transaction amounts for the three years ended 31 December 2025, 2024 and 2023 of approximately RMB6.2 million, nil and RMB15.4 million, respectively, entered into between Hangzhou Company and Futong China provided demonstrable evidence of an ongoing commercial relationship; (ii) the intention of Futong China to continue purchasing optical fibers supplied by Hangzhou Company, derive sustained revenue from its optical fiber production; (iii) Hangzhou Company’s operational scale and performance history are insufficient to enable it to independently participate in tenders or directly supply telecommunications operators, the continuation of the transactions is commercially necessary and represents viable channel for Hangzhou Company to maintain indirect access to the telecommunications operators; (iv) the estimated 1,502% increase in Hangzhou Company’s total revenue, demonstrates the need to accommodate anticipated growth; (v) the aforesaid estimated annualised transaction amount of approximately RMB113.9 million constitutes 81.36% of the Annual Caps in respect of the transactions contemplated under the Master Sale Agreement for the year ending 31 December 2026 while accommodating unforeseen increases in demand or revenue upside; (vi) Hangzhou Company’s reservation of no more than one-third of its optical fiber production capacity for supply to Futong China is substantially lower than the historical highest level of 69.7% recorded for the year ended 31 December 2023, representing a sustainable supply and sales arrangement; (vii) the price increase in the optical fiber manufacturing industry, together with the policy support in the PRC and tangible progress of policy initiatives; and (viii) we noted in the Transaction List that the percentage increase in the maximum unit price of optical fibers from 2024 to March 2026 exceeds the Annual

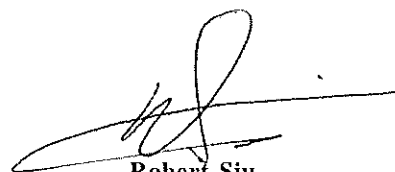
Cap Buffer of around 20% while falling below the actual observed price growth percentage, thereby justifying the reasonableness of the Annual Caps Buffer to accommodate upward movements in optical fiber prices and illustrating that the buffer is justified by market trends, we are of the view that the Annual Caps under the Master Sale Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

In view of the above factors and reasons stated above, we are of the opinion that the entering into of the Master Sale Agreement (including the Annual Caps) is in the ordinary and usual course of business of the Group and although the entering into of the Amendment Deed and the Acquisition Agreement is not in the ordinary and usual course of business of the Group, the terms of the Amendment Deed and the Acquisition Agreement and also the Master Sale Agreement (including the Annual Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps).

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



Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 type (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.