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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Transtech Optelecom Science Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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**TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED**

**高科橋光導科技股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9963)**

- (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;**  
**(3) CONTINUING CONNECTED TRANSACTIONS – THE MASTER SALE AGREEMENT; AND**  
**(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser to the Company**



**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out on pages 6 to 57 of this circular, a letter from the Independent Board Committee is set out on pages 58 to 59 of this circular, and a letter from Red Sun Capital Limited, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 146 of this circular.

A notice convening the EGM to be held at Picasso Room B, InterContinental Grand Stanford Hong Kong, 70 Mody Road, East Tsim Sha Tsui, Kowloon, Hong Kong on 16 July 2026 (Thursday) at 11:00 a.m. is set out on page EGM-1 to EGM-3 of this circular.

Whether or not you intend to be present at the EGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong time) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

26 June 2026

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Acquisition”	the acquisition of 100% equity interest in the Target Company by the Buyer from the Seller pursuant to the Acquisition Agreement
“Acquisition Agreement”	a sale and purchase agreement dated 13 April 2026 entered between the Buyer and the Seller in relation to the Acquisition
“Amendment Deed”	the deed of amendment to the Original Deed of Non-Competition entered into between Futong China and the Company on 13 April 2026
“Announcement”	the announcement dated 13 April 2026 in relation to the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder
“Annual Caps”	the proposed annual cap amounts in respect of the transactions contemplated under the Master Sale Agreement for the three years ending 31 December 2028
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Buyer”	Transtech (Hong Kong) Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company”	Transtech Optelecom Science Holdings Limited (高橋光導科技股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands and its shares were listed on the Main Board of the Stock Exchange (stock code: 9963)
“Completion”	the completion of the Acquisition in accordance with the Acquisition Agreement
“Conditions Precedent”	the conditions precedent to the Acquisition as stipulated in the Acquisition Agreement

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## DEFINITIONS

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“connected person”	has its meaning as given to it under the Listing Rules
“Consideration”	RMB78,000,000 in respect of the Acquisition payable by the Buyer to the Seller pursuant to the Acquisition Agreement
“Consideration Shares”	48,367,000 new Shares to be issued by the Company pursuant to the Acquisition Agreement
“Controlling Shareholder(s)”	has its meaning as given to it under the Listing Rules
“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) 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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the entry into the Amendment Deed, the Acquisition Agreement, the grant of the Specific Mandate and the Master Sale Agreement, together with the Annual Caps, by way of ordinary resolutions
“Enlarged Group”	the enlarged group comprising the Group and the Target Group upon Completion
“Futong China” or “Covenantor”	Futong Group Co., Ltd. (富通集團有限公司), a company incorporated in the PRC, and the Controlling Shareholder
“Futong China Group”	Futong China and its subsidiaries

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Hangzhou Company”	富通光電技術(杭州)有限公司 (Futong Optoelectronic Technology (Hangzhou) Co., Ltd.*), a company incorporated in the PRC with limited liability owned as to 51% by the Seller, and 49% by Futong China as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board comprising Mr. Li Wei, Mr. Leong Chew Kuan, and Mr. Lau Siu Hang, being the independent non-executive Directors, each of whom has no interests in the transactions, established to advise the Independent Shareholders as to voting at the EGM on, among other things, the resolutions approving the Amendment Deed, the Acquisition Agreement and the Master Sale Agreement, together with the Annual Caps
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entry into the Amendment Deed, the Acquisition Agreement and the Master Sale Agreement, together with the Annual Caps
“Independent Shareholders”	Shareholders other than Hong Kong Futong Optical Fiber Company Limited and its associates, and any other Shareholder(s) who are considered as materially interested in the entry into the Amendment Deed, the Acquisition Agreement and the Master Sale Agreement, together with the Annual Caps
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made reasonable enquiries, is/ are independent of and not connected with (within the meaning of the Listing Rules) the Company, any Director, chief executive or substantial shareholder of the Company, its subsidiaries or any of their respective associates

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## DEFINITIONS

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“Issue Price”	HK\$1.85 per Consideration Share to be issued by the Company to the Seller under the Acquisition Agreement
“Jiaxing Yinhu”	Yinhu Optical Fiber (Jiaxing) Co., Ltd. (銀湖光纖(嘉興)有限公司, (formerly known as Jiaxing SEI-Futong Optical Fiber Co., Ltd., 富通住電光纖(嘉興)有限公司), was an associate of Futong China and was owned as to 49% by Futong China as at the Latest Practicable Date
“Latest Practicable Date”	26 June 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sale Agreement”	the Master Sale Agreement dated 13 April 2026 entered into between Hangzhou Company and Futong China
“Original Deed of Non-Competition”	the deed of non-competition dated 13 October 2016 as amended by a supplemental deed dated 23 June 2017 entered into by Futong China in favour of the Company
“Other Markets”	markets outside the PRC
“PRC”	the People’s Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires otherwise, references to the “PRC” in this circular do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the audited net profits before tax of Hangzhou Company for the year ending 31 December 2026 of no less than RMB50 million, which is guaranteed by the Seller
“Proposed Amendments”	the proposed amendments to the Original Deed of Non-Competition, details of which are set out under the section headed “AMENDMENT DEED” in the letter from the Board
“Prospectus”	the prospectus of the Company dated 30 June 2017
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Sale Shares”	10,000 shares of the Target Company held by the Seller and to be sold to the Buyer pursuant to the Acquisition Agreement
“Seller”	Optel Technology Limited, which is an Independent Third Party
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hao Min Investment Holding Limited, a company incorporated in Hong Kong with limited liability wholly owned by the Seller, which indirectly owned 51% equity interest in the Hangzhou Company as at the Latest Practicable Date
“Target Group”	Target Company and its subsidiaries, including Hangzhou Company
“THB”	Thai Baht, the lawful currency of Thailand
“Tianjin Yinhu”	Yinhu Optical Fiber (Tianjin) Co., Ltd. (銀湖光纖(天津)有限公司) (formerly known as Tianjin SEI-Futong Optical Fiber Co., Ltd., 富通住電光纖(天津)有限公司), was an associate of Futong China and was owned as to 49% by Futong China as at the Latest Practicable Date
“%”	per cent.

\* *English name for identification purpose only*

*English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

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## LETTER FROM THE BOARD

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### TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED

高科橋光導科技股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9963)**

*Executive Directors:*

Mr. He Xingfu (*Chairman*)  
Mr. Zou Liming (*Chief Executive Officer*)  
Mr. Ren Guodong  
Mr. Xu Jinjie  
Ms. Sheng Lingfei

*Registered office:*

Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Independent non-executive Directors:*

Mr. Li Wei  
Mr. Leong Chew Kuan  
Mr. Lau Siu Hang

*Headquarters, head office and principal place  
of business in Hong Kong:*

No. 3 Dai Kwai Street  
Tai Po Industrial Estate  
Tai Po  
New Territories  
Hong Kong

26 June 2026

*To the Shareholders*

Dear Sir or 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;  
(3) CONTINUING CONNECTED TRANSACTIONS – THE MASTER SALE AGREEMENT; AND  
(4) NOTICE OF EGM**

#### INTRODUCTION

Reference is made to the announcement of the Company (“**Announcement**”) dated 13 April 2026 in relation to the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder (collectively, “**Proposed Transactions**”).

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## LETTER FROM THE BOARD

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The purpose of this circular is, among other things, to provide you with (i) further details of the Proposed Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Proposed Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transactions; and (iv) a notice of the EGM.

### (1) CONNECTED TRANSACTION – PROPOSED AMENDMENTS TO THE ORIGINAL DEED OF NON-COMPETITION

#### (A) Background

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.

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## LETTER FROM THE BOARD

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Over 9 years have passed since the Original Deed of Non-Competition was executed. 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.

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.

### **(B) The Amendment Deed**

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.

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## LETTER FROM THE BOARD

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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.

### **(C) Reasons for entering into the Amendment Deed, and the impact to the Group’s business operation upon the Completion**

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.

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## LETTER FROM THE BOARD

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

According to the Company's 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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### *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 Company's 2024 and 2025 annual reports, 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.

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## LETTER FROM THE BOARD

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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. For details, please refer to the section headed "(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY – (K) Reasons for the Acquisition" of this letter.

**(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.

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## LETTER FROM THE BOARD

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- **Malaysia:** According to JENDELA (Jalanan 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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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. Under this integrated model, Hangzhou Company will supply cost-competitive preforms to Futong Thailand for production of optical fiber, 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.

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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telecommunications operators, namely China Mobile Communications Group Co., Ltd., China United Network Communications Group Co., Ltd. and China Telecommunications Corporation, through centralised procurement programmes.

Hangzhou Company maintains a long-standing partnership with Futong China for state-owned telecommunications tenders. Within this framework, procurement is driven by Futong China Group winning specific contracts and subsequently sourcing optical fibers from its intra-group optical fiber manufacturers – including Hangzhou Company – from time to time.

As of the date of this submission, and excluding its equity interest in the Company and Hangzhou Company, Futong China Group holds stakes in operating subsidiaries or associates that are engaged in the manufacturing of optical fiber preforms, optical fibers, and optical fiber cables, as outlined below:

Name of operating subsidiary	Product types	Designed annual production capacity
Hangzhou Futong Communication Technology Co., Ltd. (杭州富通通信技術股份有限公司)	Optical fiber preforms, Optical fibers and optical fiber cables	Optical fiber preforms: approximately 800 tons  Optical fibers: approximately 25 million core kilometers  Optical fiber cables: Approximately 25 million core kilometers
Yinhu Optical Guide Technology (Jiaxing) Co., Ltd. (銀湖光導科技(嘉興)有限公司)	Optical fiber preforms	Optical fiber preforms: approximately 500 tons
Yinhu Optical Fiber (Jiaxing) Co., Ltd. (銀湖光纖(嘉興)有限公司)	Optical fibers	Optical fibers: approximately 15 million core kilometers
Yinhu Optical Fiber (Tianjin) Co., Ltd. (銀湖光纖(天津)有限公司)	Optical fiber preforms	Optical fiber preforms: approximately 240 tons
Chengdu Futong Optical Communication Technology Co., Ltd. (成都富通光通信技術有限公司)	Optical fiber preforms and Optical fibers	Optical fiber preforms: approximately 100 tons  Optical fibers: approximately 3 million core kilometers

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## LETTER FROM THE BOARD

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*(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

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## LETTER FROM THE BOARD

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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,

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## LETTER FROM THE BOARD

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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 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.

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## LETTER FROM THE BOARD

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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. 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.

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## LETTER FROM THE BOARD

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*(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.

Taking into account the above, the Directors (including the independent non-executive Directors after having been advised by the Independent Financial Adviser) consider 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.

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## LETTER FROM THE BOARD

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### (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

#### (A) Background

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 approximately 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.

#### (B) The Acquisition Agreement

##### *Date*

13 April 2026 (after trading hours)

##### *Parties*

Transtech (Hong Kong) Investment Limited (a wholly-owned subsidiary of the Company), as the Buyer; and

Optel Technology Limited (an Independent Third Party), as the Seller.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Seller and its ultimate beneficial owner is an Independent Third Party as at the Latest Practicable Date.

##### *Subject matter*

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.

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## LETTER FROM THE BOARD

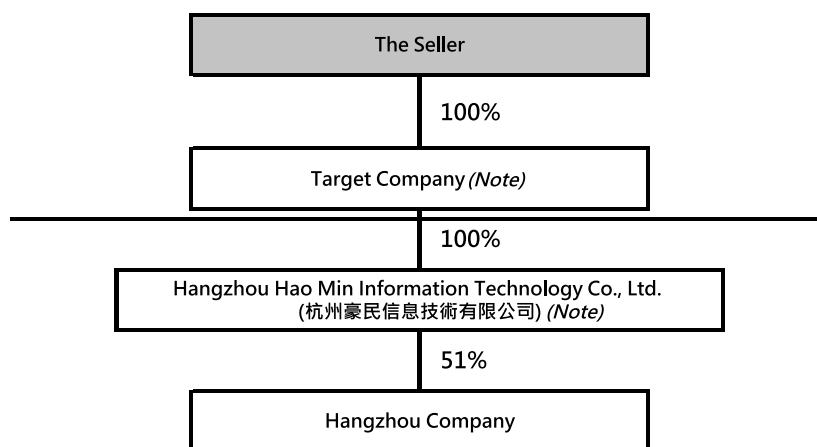
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Apart from its equity interest in Hangzhou Company, the Target Company has no other subsidiaries or investments as at the Latest Practicable Date.

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

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

The organization chart below illustrated the shareholding structure of Hangzhou Company owned by the Seller:



*Note:* Both of them are investment holding companies.

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.

### (C) 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 the Completion.

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## LETTER FROM THE BOARD

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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 of the Acquisition, 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.

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## LETTER FROM THE BOARD

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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 RMB20 per core-kilometer in Q2 2025, before a modest recovery to RMB24 in the second half of 2025. However, by late January 2026, prices climbed sharply to the RMB35-40 range, with the rally accelerating to a market average of RMB70-90 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

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## LETTER FROM THE BOARD

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from Hangzhou Company, the estimated total sales contract value for the second quarter of 2026 is projected to be at least RMB90 million. On an annualized basis, this projects to approximately RMB341.82 million, representing a transformative year-on-year revenue increase of approximately 419%.

***(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 procured optical fiber preforms from associated companies of Futong China Group and other external suppliers in the PRC 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.”

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## LETTER FROM THE BOARD

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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.

### **(D) 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.

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## LETTER FROM THE BOARD

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### ***Listing Application***

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Consideration Shares on the Stock Exchange.

### **(E) The Specific Mandate**

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing Shares in issue.

### **(F) Effect on the Shareholding Structure**

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):

	<b>As at the Latest Practicable Date</b>		<b>Immediately upon Completion</b>	
	<i>No. of Shares</i>	<i>Approx.%</i>	<i>No. of 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.

### **(G) Profit Guarantee and Cash Compensation Obligation**

- (a) The Seller guarantees to the Buyer that the actual net profits 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**”).

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- (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 Company will make appropriate announcement and disclosures if (1) any subsequent change to the terms of the guarantee must be announced, accompanied by the board’s opinion on its fairness and reasonableness; and (2) the actual performance fails to meet the guaranteed level in accordance with the requirements under Rule 14.36B and Rule 14A.63 of the Listing Rules. In addition, the Company will confirm in its next annual report whether the guaranteed performance was achieved.

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. 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 RMB90 million.

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***(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 RMB20 per core-kilometer in Q2 2025, before a modest recovery to RMB24 in the second half of 2025. However, by late January 2026, prices climbed sharply to the RMB35-40 range, with the rally accelerating to a market average of RMB70-90 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.

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## LETTER FROM THE BOARD

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### **(H) Conditions precedent**

The Completion shall be conditional upon and subject to:

- (a) the transactions under the Acquisition Agreement, including but not limited to the allotment and issue of the Consideration Shares, being approved by the independent shareholders of the Company at the EGM to be held in accordance with the requirements of the Listing Rules;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares (and such listing and permission not subsequently revoked or withdrawn prior to the Completion);
- (c) each of the representations, warranties and/or undertakings contained in or referred to or as set out in the Acquisition Agreement is true, accurate and not misleading in all respects;
- (d) due diligence of the Target Company shall have been completed to the satisfaction of the Buyer;
- (e) the independent shareholders of the Company at the EGM having approved: (i) the proposed amendments to the Original Deed of Non-Competition; (ii) the Acquisition Agreement; and (iii) the potential continuing connected transactions of the Company (including the Master Sale Agreement and the Annual Caps), and the respective transactions contemplated thereunder; and
- (f) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the entering into and performance of the terms of the Acquisition Agreement and the transactions contemplated thereunder having been obtained.

If any of the Conditions Precedent is not fulfilled or waived (as the case may be) on or before 5:00 p.m. on 30 June 2026 (which has been subsequently extended to 31 July 2026 upon agreement in writing between the Seller and Futong China on 25 June 2026), or such later date as the Seller and the Company may agree in writing, the Acquisition Agreement shall lapse and become null and void, and the parties shall be released from all obligations thereunder, save for any antecedent breaches of the terms hereof.

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## LETTER FROM THE BOARD

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Completion shall take place on the fifth Business Day following the date the Company notifies the Seller of the satisfaction of or waiver of all the Conditions Precedent. Other than Conditions Precedent (a), (b) and (e), which are not capable of being waived, the Buyer is entitled to waive Conditions Precedent (c), (d) and (f) in accordance with the terms of the Acquisition Agreement. As at the Latest Practicable Date, due diligence on the Target Company was substantially completed and no material adverse findings had been identified. In light of this, the Buyer does not presently intend to exercise its right to waive Conditions Precedent (c), (d) and (f).

As at the Latest Practicable Date, none of the Conditions Precedent has been satisfied.

### **(I) Lock-up arrangement**

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.

### **(J) 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 (i) Futong China successfully securing purchase orders from these operators; and (ii) Hangzhou Company is granted the purchase order from Futong China Group for fiber; the transaction volume is directly dependent on the scale of such orders requiring fiber

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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:

	<b>For the year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 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<sub>4</sub>), which provides the ultra-pure silica base material that keeps signal loss to a minimum, and germanium tetrachloride (GeCl<sub>4</sub>), which

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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 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. 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 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 IV – MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP for detailed discussion on the financial performance of the Target Company.

### **(K) 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 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 overseas customers decreased HK\$20.3

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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 sustainable business development.

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.

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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.

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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.

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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.

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Taking into account of the above, the Directors, including the independent non-executive Directors having been so advised by the Independent Financial Adviser, 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.

### **(3) CONTINUING CONNECTED TRANSACTIONS – THE MASTER SALE AGREEMENT**

#### **(A) Background**

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.

#### **(B) 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

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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 cross-check 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](http://www.crugroup.com), which is used as supplementary reference material for monitoring broader market trends and movements.

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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.

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Where available, 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 cross-check 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.

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### (C) 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 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.

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## LETTER FROM THE BOARD

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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 16.0 times 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.

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## LETTER FROM THE BOARD

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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 may slightly 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.

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## LETTER FROM THE BOARD

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- 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.

### **(D) 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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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.

In light of the fact that Hangzhou Company's production will be primarily dedicated to internal Group supply and independent direct sales, the Directors believe that it will maintain sufficient operational independence and will not be materially reliant on Futong China following the Completion.

The Directors (including the independent non-executive Directors after having been advised by the Independent Financial Adviser) consider that the transactions contemplated under the Master Sale Agreement (including the Annual Caps) are on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **(E) 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;

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## LETTER FROM THE BOARD

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- (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.

### **LISTING RULES IMPLICATIONS**

#### **Proposed Amendments to Original Deed of Non-Competition**

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.

#### **Acquisition of Equity Interest in the Target Company**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Futong China Group, which is the Controlling Shareholder of the Company, holds 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.

### **The Master Sale Agreement**

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 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.

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.

### **FINANCIAL IMPACTS OF THE ACQUISITION**

Upon the 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 annual results announcement of the Company for the year ended 31 December 2025, 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 this 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.

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## LETTER FROM THE BOARD

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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 of the Acquisition are set out in Appendix III to this 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.

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## LETTER FROM THE BOARD

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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 to this circular.

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

As disclosed in the Appendix II of this 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.

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## LETTER FROM THE BOARD

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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.

### INFORMATION OF THE PARTIES TO THE PROPOSED TRANSACTIONS

#### The Group

The Group is principally engaged in manufacturing and sales of optical fiber and optical fiber cables with various standard specifications that are widely used in the telecommunications industry. Transtech is a wholly-owned subsidiary of the Group principally engaged in the manufacturing and sales of optical fibers, and its production facilities are located in Hong Kong.

#### 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.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An 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 established to advise the Independent Shareholders in connection with the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### EGM

The EGM will be convened and held at Picasso Room B, InterContinental Grand Stanford Hong Kong, 70 Mody Road, East Tsim Sha Tsui, Kowloon, Hong Kong on 16 July 2026 (Thursday) at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder. A notice of the EGM and a form of proxy for use at the EGM is enclosed with this circular.

As at the Latest Practicable Date, Hong Kong Futong Optical Fiber Company Limited (“**Futong HK**”) is the controlling shareholder of the Company, and beneficially interested in 195,000,000 Shares (representing approximately 65.22% of the issued share capital of the Company). Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China.

In view of the interests of Futong China on the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder, Hong Kong Futong Optical Fiber Company Limited and its associates will abstain from voting in relation to the resolution(s) to approve the relevant ordinary resolutions at the EGM. None of the Directors has a material interest in the transaction. For the sake of prudence, Ms. Sheng Lingfei, being the executive Director who also is a board secretary of Futong China, abstained from voting on the relevant Board resolutions (“**Board Resolutions**”) in relation to the Amendment Deed, the Acquisition Agreement and the Master Sale Agreement (including the Annual Caps). Save for the aforesaid, no other Director has a material interest or conflict of role in the transactions and has abstained from voting on the Board Resolutions.

The record date for determination of entitlement of the members of the Company to attend and vote at the EGM will be on Thursday, 16 July 2026. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Wednesday, 15 July 2026.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong time) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions put to the vote at the EGM will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

### RECOMMENDATION

Having considered the reasons set out herein, the Board is of the view that (i) while the Amendment Deed is not entered into in the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole and it is on normal commercial terms; (ii) the terms of the Acquisition Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Master Sale Agreement, including the Annual Caps, was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of the Master Sale Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Amendment Deed, the Acquisition Agreement and the Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,

By order of the Board

**Transtech Optelecom Science Holdings Limited**

**He Xingfu**

*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of this circular.*

### **TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED**

**高科橋光導科技股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9963)**

26 June 2026

*To: the Independent Shareholders*

Dear Sir or 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**

We refer to the circular of the Company dated 26 June 2026 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the advice of Independent Financial Adviser in relation thereto as set out on pages 60 to 146 of this Circular, we are of the opinion that (i) the Amendment Deed is not entered into during the ordinary and usual course of business of the Group, but it is fair and reasonable and in the interests of the Company and its Shareholders as a whole, and is on normal commercial terms; (ii) the terms of the Acquisition Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Master Sale Agreement, including the Annual Caps, was entered into in the ordinary and usual course of business of the Group; on normal commercial terms, and the terms of the Master Sale Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Amendment Deed, the Acquisition Agreement and Master Sale Agreement (including the Annual Caps), and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

**Mr. Li Wei, Mr. Leong Chew Kuan, and Mr. Lau Siu Hang**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders regarding the Amendment Deed, the Acquisition Agreement and the Master Sale Agreement (including the Annual Caps) for the purpose of inclusion in this circular.



**红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 2703, 27/F., China Insurance Group Building,  
141 Des Voeux Road Central, Hong Kong  
Tel: (852) 2857 9208  
Fax: (852) 2857 9100

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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)
<b>Revenue</b>	<b>96,234</b>	<b>148,017</b>	<b>174,208</b>
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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	234,023	244,671	265,362
Current assets	87,339	150,360	251,744
<b>Total assets</b>	<b>321,362</b>	<b>395,031</b>	<b>517,106</b>
Non-current liabilities	1,196	833	556
Current liabilities	47,023	39,439	66,188
<b>Total liabilities</b>	<b>48,219</b>	<b>40,272</b>	<b>66,744</b>
Net current assets	40,316	110,921	185,556
<b>Net assets</b>	<b>273,143</b>	<b>354,759</b>	<b>450,362</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***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.

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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."*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 (Jalanan 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

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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

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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.

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*(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

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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.

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- (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;

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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,

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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.

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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.

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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 2026<sup>1</sup>. We further noted from the announcement that this increase in price reflects positive changes in the underlying supply-demand dynamics for industrial products.

<sup>1</sup> Data announced by Department of Urban Statistics, National Bureau of Statistics of China (source: [https://www.stats.gov.cn/sj/sjdd/202604/t20260410\\_1963265.html](https://www.stats.gov.cn/sj/sjdd/202604/t20260410_1963265.html))

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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"<sup>2</sup>, 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"<sup>3</sup>, 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.

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

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

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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.

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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.

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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	Immediately
	Practicable Date	after Completion
	<i>% of equity interest</i>	<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

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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

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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%.

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*(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.

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### *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.

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### (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	2024	2025
	(audited)	(audited)	(audited)
	RMB('000)	RMB('000)	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).

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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<sub>4</sub>), which provides the ultra-pure silica base material that keeps signal loss to a minimum, and germanium tetrachloride (GeCl<sub>4</sub>), 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.

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### *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

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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.

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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.

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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.

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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.

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *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:

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

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.

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*(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.

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### *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.

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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**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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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
Nanfang 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)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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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).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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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

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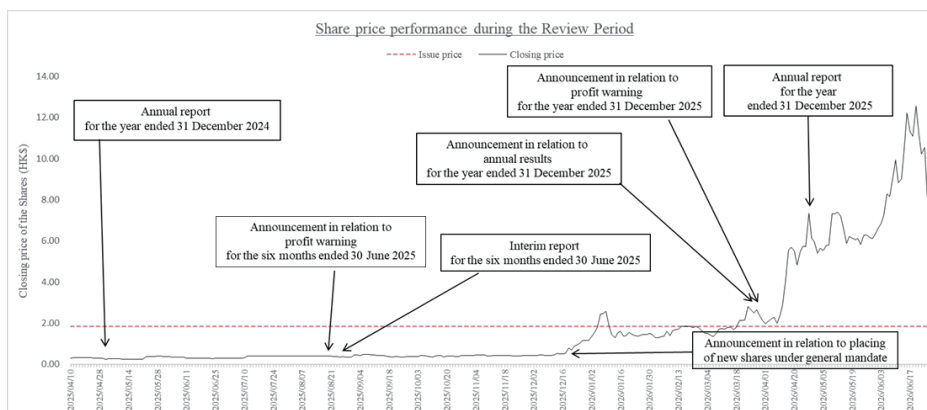
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of the opinion that the Issue Price is fair and reasonable; and (v) the low trading volume and liquidity of the Shares, which the Board considered to provide a reasonable reference for determining the Issue Price.

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](http://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**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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### 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 ( <i>Note</i> )
<b>2025</b>			
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%
<b>2026</b>			
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.

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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

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- (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

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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.

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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 the closing price on the last trading day/on the date of announcement/agreement (%)	Premium/(discount) to the average closing price of five trading days prior to and including the last trading day/on the date of announcement/agreement (%)	Premium/(discount) of issue price over the average closing price of five trading days prior to and including the last trading day/on the date of 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\$814.6 million	HK\$4.0	14.94	7.64	HK\$7,798.7 million	
18 March 2026	Kaisa Health Group Holdings Limited (876)	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\$24,412,214)	HK\$0.175	(10.30)	0.00	HK\$983.2 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\$593.3 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\$9.5 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 International Holdings Limited (6616)	The business of production and sales of pearlescent pigment products and synthetic mica powder in the PRC.	RMB69,021,350	HK\$8.01	0.00	9.73	HK\$9,923.3 million	

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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 approximately
6 November 2025	Zhongshen Jianye Holding Limited (2503)	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.	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)	The beauty and health management service, including beauty and wellness services, aesthetic medical services as well as subhealth medical services in the PRC.	RMB1,250.0 million (equivalent to approximately HK\$1,369.2 million)	HK\$28.71	(19.67)	(21.13)	HK\$7,969.9 million
	Maximum				14.94	9.73	
	Minimum				(59.80)	(58.12)	
	Average				(16.12)	(12.04)	
	Median				(10.30)	(6.69)	
	The Company				(20.6)	(12.2)	

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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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.

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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

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(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):

	<b>As at the</b>		<b>Immediately</b>	
	<b>Latest Practicable Date</b>		<b>upon Completion</b>	
	<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><u>298,976,000</u></u>	<u><u>100%</u></u>	<u><u>347,343,000</u></u>	<u><u>100%</u></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.

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### (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.

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### *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).

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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

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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

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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](http://www.crugroup.com), which is used as supplementary reference material for monitoring broader market trends and movements.

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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.

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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.

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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

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(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

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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

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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

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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

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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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(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

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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.

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### *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

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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

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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.

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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

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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 2026<sup>4</sup> (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

<sup>4</sup> 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](https://www.stats.gov.cn/sj/sjjd/202604/t20260410_1963265.html))

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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

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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

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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.

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2023, 2024 and 2025 are disclosed in the following documents, all of which can be found on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.transtechoptel.com](http://www.transtechoptel.com)):

- Annual report of the Company for the year ended 31 December 2023  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043000539.pdf>)
- Annual report of the Company for the year ended 31 December 2024  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0430/2025043000557.pdf>)
- Annual report of the Company for the year ended 31 December 2025  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0430/2026043000437.pdf>)

## 2. INDEBTEDNESS STATEMENT

The following table set forth a breakdown of our indebtedness as at 30 April 2026, being the latest practicable date for the purpose of this indebtedness in this circular.

	<b>As at</b> <b>30 April</b> <b>2026</b> <i>HK\$'000</i> (unaudited)
Bank borrowings ( <i>note a</i> )	24,388
Other borrowings ( <i>note b</i> )	<u>26,513</u>
	<u><u>50,901</u></u>

*Notes:*

- (a) As at 30 April 2026, the bank borrowings are secured by a piece of land in Rayong, Thailand with an area of 58,149 square meters and the building thereon, with original currency of approximately THB40,617,000 and approximately RMB12,873,000, and bear interest at 4.35% to 4.45% per annum, and 3.635% to 3.865% per annum respectively, with a term of 6 months which will be matured from June 2026 to October 2026.
- (b) As at 30 April 2026, the other borrowings amounting to approximately RMB23,220,000 (unaudited) are entrusted loan from Tianjin Yinhu (an associate of Futong China and owned by Futong China as to 49% as at the Latest Practicable Date), bear fixed interest rate of 3.30% per annum, which will be matured in November 2026.

**3. CONTINGENT LIABILITIES AND LITIGATION**

As at 31 December 2025, the Group had no material contingent liabilities and litigation (2024: Nil).

Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables and accruals in the ordinary course of business, at the close of business on 30 April 2026, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

**4. WORKING CAPITAL**

The Directors, after due and careful enquiry and after taking into account the financial resources available to the Enlarged Group as at the Latest Practicable Date, including the internally generated funds, other financing facilities available and the effects of the Acquisition, are of the opinion that the Enlarged Group will have sufficient working capital to satisfy the Enlarged Group's requirements for at least the twelve months from the date of this circular.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the Group's latest published audited consolidated financial statements were made up.

**6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP****Financial and Trading Prospects**

The Group is principally engaged in the manufacturing and sale of optical fiber in Hong Kong and optical fiber cable, optical cable cores and related products in Thailand, with various standard specifications that are widely used in the telecommunications industry. The Group operates through two wholly-owned subsidiaries, namely Transtech Optical Communication Company Limited ("**Transtech**"), which manufactures optical fibres at its production facility in Hong Kong, and Futong Group Communication Technology (Thailand) Co., Ltd. ("**Futong Thailand**"), which manufactures optical fibre cables, optical cable cores and other related products at its production facility in Thailand.

During the year ended 31 December 2025 (the “FY2025”), the Group recorded a year-on-year decline in revenue and an increase in loss. The Group’s total revenue decreased by approximately 35.0% to approximately HK\$96.2 million (year ended 31 December 2024 (the “FY2024”): approximately HK\$148.0 million), and the gross loss increased from approximately HK\$0.3 million to approximately HK\$5.2 million over the same period. The Group’s loss attributable to owners of the Company was approximately HK\$98.3 million in FY2025 (FY2024: approximately HK\$94.8 million). Such results were driven by a combination of factors including weak market demand and pricing pressure in the optical fiber and optical fiber cable industry across the ASEAN region, the temporary suspension of production at Transtech’s Hong Kong manufacturing facility for several months during FY2025, and the recognition of aggregate impairment losses on financial assets and property, plant and equipment of approximately HK\$83.6 million arising from the continued challenging operating conditions in the industry.

As disclosed in the annual results announcement of the Company for FY2025, the Group’s optical fiber segment encountered significant headwinds as a result of weak demand and downward pressure on product pricing. The utilisation rate of the optical fiber production lines declined from 5.1% to 1.9% year-on-year, with the Group operating its production lines for only approximately three months during FY2025 as a result of persistently low optical fiber selling prices throughout the year.

As at 31 December 2025, the Group maintained a net asset position of approximately HK\$273.1 million (31 December 2024: approximately HK\$354.8 million) and a gearing ratio of approximately 9.1% (31 December 2024: approximately 7.1%), reflecting the Group’s relatively low leverage despite the challenging operating environment. Cash and cash equivalents amounted to approximately HK\$5.2 million as at 31 December 2025 (31 December 2024: approximately HK\$17.8 million), and total bank and other borrowings amounted to approximately HK\$24.8 million (31 December 2024: approximately HK\$25.3 million). Subsequent to the year end, on 6 January 2026, the Company completed a placing of 38,976,000 new shares at a placing price of HK\$0.476 per share, raising aggregate net proceeds of approximately HK\$18.22 million, which has strengthened the Group’s liquidity position.

Going forward, the Group is pursuing a multi-pronged growth strategy aimed at diversifying its revenue base, expanding its geographic footprint and strengthening its vertical integration across the optical fiber value chain.

In respect of its existing operations, Transtech has determined to establish a new Drop Cable production line with an expected annual production capacity of 200,000 fkm and an estimated annual output value of HK\$40 million upon formal commencement of production. In Thailand, Futong Thailand is continuing with the installation of production equipment in its new factory building in preparation for expanded capacity, with commencement of production currently estimated for December 2026, following a postponement from the originally targeted timeline. In addition, the Group intends to further optimise its vertical integration structure by channelling a larger proportion of Transtech's optical fiber output to Futong Thailand as a stable upstream raw material supplier, with a view to reducing procurement risk and enhancing margin resilience across the value chain.

Beyond its existing operations, on 13 April 2026, the Company announced a series of strategic transactions that represent a significant expansion of the Group's business scope and geographic reach. First, the Company entered an amendment deed with Futong China, the controlling shareholder of the Company, to amend the original deed of non-competition dated 13 October 2016. The amendment permits the Group to extend its manufacturing and sales operations of optical fiber preforms and optical fibers into the PRC market, which was previously a restricted territory for the Group. 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.

Concurrently, the Company entered into an acquisition agreement to acquire the entire equity interest in the Target Company, which indirectly holds a 51% equity interest in Hangzhou Company, for a consideration of approximately RMB78,000,000, to be satisfied in full by the issuance of 48,367,000 new shares at an issue price of HK\$1.85 per share. Hangzhou Company is primarily engaged in the production and sale of optical fiber preforms and optical fibers in the PRC, with an actual production capacity of approximately 1.04 million core kilometers of optical fiber preforms and approximately 850,000 core kilometers of optical fibers in 2025. Upon completion of the acquisition, Hangzhou Company will be consolidated as a non-wholly owned subsidiary of the Company, through which the Group will gain immediate access to production facilities, supply chain infrastructure and established sales channels within the PRC.

The Directors note that the global optical fiber and cable market has entered a structural upcycle since the end of 2025, underpinned by three concurrent demand drivers converging against a supply base with limited near-term elasticity. Unlike prior upcycles in the industry, which were typically driven by a single demand catalyst such as FTTH rollout or 5G network construction, the current cycle is being simultaneously propelled by AI data center infrastructure build-out, military and drone applications, and the ongoing telecommunications baseline, creating a historically unprecedented supply-demand imbalance.

On the demand side, AI data center construction has emerged as a major new source of fiber consumption, with a single 10,000-GPU cluster requiring tens of thousands of core kilometers of optical fiber for internal interconnection – estimated at 3 to 10 times the fiber intensity of a traditional data center. Capital expenditure by major hyperscalers including Meta, Google, Microsoft and Amazon has continued to accelerate, with data center-related fiber demand estimated to account for approximately 5% of global fiber consumption in 2025 and projected to reach approximately 11% by 2029, according to CRU data. High-end specialty fiber types, including G.654.E low-loss fiber used in data center interconnects, have experienced disproportionately strong demand, with operator procurement volumes for G.654.E reaching approximately 3.18 million core kilometers in 2025, representing an approximately 25-fold increase year-on-year. The conventional telecommunications segment, encompassing 5G deep coverage, FTTH and gigabit network construction, continues to provide a stable demand baseline.

On the supply side, global optical fiber preform capacity is subject to rigid near-term constraints. Total global preform capacity stands at approximately 25,000 tonnes, of which China accounts for approximately 62%, with the four major global producers currently operating at or near full utilisation. Capacity expansion requires a lead time of approximately 1.5 to 2 years, meaning that meaningful new supply cannot be brought online until 2027 at the earliest. Process optimisation within existing facilities is estimated to improve yields by at most 10 to 15%, providing only limited near-term supply relief. Years of industry-wide pricing pressure prior to 2025 also resulted in cautious capital investment in new capacity, further constraining the supply response to the current demand surge.

The tightening supply-demand balance has driven a dramatic recovery in fiber pricing. For example, the price of mainstream G.652.D single-mode fiber plunged to a decade-low of approximately RMB20 per core-kilometer in Q2 2025, before recovering moderately to around RMB24 per core-kilometer in the second half of 2025. From late January 2026, prices surged dramatically to RMB35-40 per core-kilometer, with the rally accelerating further through March 2026 and pushing the average market price to RMB70-90 per core-kilometer as at the Latest Practicable Date.

The Directors believe that the supply-demand imbalance underpinning the current price upcycle is structural rather than transitory, given that preform capacity expansion lead times of 1.5 to 2 years effectively lock in supply tightness through at least 2026 and into 2027. The Directors further believe that the Group is well positioned to benefit from this environment through its expanded PRC operational footprint upon completion of the proposed acquisition of Hangzhou Company, which will provide the Group with direct access to preform and fiber production capacity in the PRC, a stable upstream raw material source for its downstream cable manufacturing operations in Thailand, and established channels to serve both domestic PRC customers and the Group's existing international markets. Taken together, the Directors are of the view that the structural improvement in industry conditions, combined with the Group's strategic repositioning, provides a meaningful opportunity to restore and improve the Group's profitability over the near to medium term.

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## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

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*The following is the text of a report received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



### Moore CPA Limited

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### INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HAO MIN INVESTMENT HOLDING LIMITED\*

豪民投資控股有限公司

#### INTRODUCTION

We report on the historical financial information of Hao Min Investment Holding Limited\* (豪民投資控股有限公司, the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) set out on pages II-4 to II-52, which comprises the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2023, 2024 and 2025 (the “**Relevant Periods**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-5 to II-52 forms an integral part of this report, which has been prepared for inclusion in the circular of Transtech Optelecom Science Holdings Limited (the “**Company**”) dated 26 June 2026 (the “**Circular**”) in connection with the proposed acquisition of 100% equity interest in the Target Company by the Company.

#### DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine are necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

\* English name is for identification purpose only.

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## **APPENDIX II      ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **OPINION**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Target Group’s consolidated financial position as at 31 December 2023, 2024 and 2025, and of the Target Group’s consolidated financial performance and consolidated cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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**APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to Note 2 to the Historical Financial Information, which indicates that as at 31 December 2024 and 2025, the Target Group had net current liabilities of approximately RMB4,019,000 and RMB38,139,000, respectively and during the years ended 31 December 2023, 2024 and 2025, the Target Group reported losses of approximately RMB216,511,000, RMB47,164,000 and RMB43,783,000 respectively. As at 31 December 2023, 2024 and 2025, the Target Group's cash and cash equivalents amount to approximately RMB157,000, RMB22,360,000 and RMB243,000, respectively. As at 31 December 2024 and 2025, the Target Group's outstanding other borrowings amounting to approximately RMB39,299,000 and RMB46,120,000, respectively, are due for repayment within one year. These conditions, along with other matters as set forth in Note 2 to the Historical Financial Information, indicate that a material uncertainty exists that may cast significant doubt on the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

The Historical Financial Information, is stated after making such adjustments to the Underlying Financial Statements as defined on page II-4 as were considered necessary.

**Dividends**

We refer to Note 13 to the Historical Financial Information which states that no dividend has been declared or paid by the Target Company in respect of the Relevant Periods.

**No historical financial statements for the Target Company**

No financial statements have been prepared for the Target Company since its incorporation.

**Moore CPA Limited**

*Certified Public Accountants*

**Hung Wan Fong Joanne**

Practising Certificate Number: P05419

Hong Kong, 26 June 2026

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## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

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### HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

#### Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the financial statements of Futong Optoelectronic Technology (Hangzhou) Co., Ltd.\* (富通光電技術(杭州)有限公司) (formerly known as Hangzhou SEI-Futong Optical Fiber Co., Ltd.\* (富通住電光纖(杭州)有限公司) (the “**Hangzhou Company**”) for the Relevant Periods. The financial statements have been prepared in accordance with the accounting policies that conform with HKFRS Accounting Standards issued by the HKICPA and were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three years ended 31 December 2023, 2024 and 2025*

	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	5	22,094	24,411	21,341
Cost of sales		<u>(50,863)</u>	<u>(59,809)</u>	<u>(53,911)</u>
<b>Gross loss</b>		(28,769)	(35,398)	(32,570)
Other income and gains and losses, net	5	1,316	321	306
Selling and distribution expenses		(649)	(563)	(594)
Administrative expenses		(9,816)	(9,382)	(8,859)
Other expenses		(337)	(5)	(15)
Impairment loss on due from related parties		(169,483)	(724)	(578)
Finance costs	7	<u>(509)</u>	<u>(1,413)</u>	<u>(1,473)</u>
<b>Loss before income tax</b>	6	(208,247)	(47,164)	(43,783)
Income tax expense	11	<u>(8,264)</u>	—	—
<b>Loss and total comprehensive loss for the year</b>		<u>(216,511)</u>	<u>(47,164)</u>	<u>(43,783)</u>
<b>Loss and total comprehensive loss for the year attributable to:</b>				
– Owners of the Target Company		(110,421)	(24,054)	(22,329)
– Non-controlling interests		<u>(106,090)</u>	<u>(23,110)</u>	<u>(21,454)</u>
		<u>(216,511)</u>	<u>(47,164)</u>	<u>(43,783)</u>

## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 31 December 2023, 2024 and 2025*

	<i>Notes</i>	<b>As at 31 December</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	<i>14</i>	61,133	51,364	42,332
Right-of-use assets	<i>15</i>	17,941	17,385	16,829
Intangible assets	<i>16</i>	<u>236</u>	<u>96</u>	<u>21</u>
Total non-current assets		<u>79,310</u>	<u>68,845</u>	<u>59,182</u>
<b>Current assets</b>				
Inventories	<i>17</i>	42,179	29,753	26,037
Prepayments and other receivables	<i>18</i>	1,514	218	364
Due from related parties	<i>19</i>	48,228	1,515	5,518
Cash and cash equivalents	<i>20</i>	<u>157</u>	<u>22,360</u>	<u>243</u>
Total current assets		<u>92,078</u>	<u>53,846</u>	<u>32,162</u>
<b>Current liabilities</b>				
Trade payables	<i>21</i>	2,538	3,172	4,700
Other payables and accruals	<i>22</i>	4,204	3,586	4,871
Interest-bearing bank and other borrowings	<i>23</i>	38,598	39,299	46,120
Due to related parties	<i>25</i>	<u>14,058</u>	<u>11,808</u>	<u>14,610</u>
Total current liabilities		<u>59,398</u>	<u>57,865</u>	<u>70,301</u>
<b>Net current assets/(liabilities)</b>		<u>32,680</u>	<u>(4,019)</u>	<u>(38,139)</u>
<b>Total assets less current liabilities, net assets</b>		<u>111,990</u>	<u>64,826</u>	<u>21,043</u>
<b>Capital and reserves</b>				
Share capital	<i>24</i>	104,606	104,606	104,606
Reserves		<u>(47,488)</u>	<u>(71,542)</u>	<u>(93,871)</u>
		57,118	33,064	10,735
<b>Non-controlling interests</b>		<u>54,872</u>	<u>31,762</u>	<u>10,308</u>
Total equity		<u>111,990</u>	<u>64,826</u>	<u>21,043</u>

## APPENDIX II      ACCOUNTANTS' REPORT ON THE TARGET GROUP

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*For the three years ended 31 December 2023, 2024 and 2025*

	Attributable to owners of the Target Company					Total RMB'000
	Share capital RMB'000 <i>(Note 24)</i>	Statutory reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non- controlling interest RMB'000	
<b>At 1 January 2023</b>	104,606	30,630	32,303	167,539	160,962	328,501
Loss and total comprehensive loss for the year	–	–	(110,421)	(110,421)	(106,090)	(216,511)
<b>At 31 December 2023 and 1 January 2024</b>	104,606	30,630	(78,118)	57,118	54,872	111,990
Loss and total comprehensive loss for the year	–	–	(24,054)	(24,054)	(23,110)	(47,164)
<b>At 31 December 2024 and 1 January 2025</b>	104,606	30,630	(102,172)	33,064	31,762	64,826
Loss and total comprehensive loss for the year	–	–	(22,329)	(22,329)	(21,454)	(43,783)
<b>At 31 December 2025</b>	104,606	30,630	(124,501)	10,735	10,308	21,043

## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

### CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the three years ended 31 December 2023, 2024 and 2025*

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Loss before income tax		(208,247)	(47,164)	(43,783)
Adjustments for:				
Finance costs	7	509	1,413	1,473
Interest income from bank	5	(1)	(65)	(177)
Interest income from related parties	5	(23)	(75)	(4)
Gain on disposal of property, plant and equipment	6	(124)	(4)	(6)
Amortisation of intangible assets	6	140	140	75
Depreciation of property, plant and equipment	6	10,170	9,988	9,147
Depreciation of right-of-use assets	6	556	556	556
Impairment loss on due from related parties	19	169,483	724	578
Write-down of inventories	6	375	–	–
<b>Net cash used in operating activities before changes in working capital</b>				
		(27,162)	(34,487)	(32,141)
(Increase)/decrease in inventories		(8,366)	12,426	3,716
(Increase)/decrease in prepayments and other receivables		(40)	1,296	(146)
Decrease in due from related parties		1,530	44,272	423
(Decrease)/increase in trade payables		(3,516)	634	1,528
(Decrease)/increase in other payables and accruals		(823)	(194)	1,157
Increase/(decrease) in due to related parties		2,108	(2,250)	2,802
<b>Net cash (used in)/generated from operating activities</b>				
		(36,269)	21,697	(22,661)

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**APPENDIX II      ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flow from investing activities</b>				
Interest received from bank		1	65	177
Interest received from loans receivable		23	75	4
Proceeds from collecting repayment of loans receivable	25(c)	–	1,717	1,600
Loans granted to related parties	25(c)	(1,609)	–	(6,604)
Purchases of property, plant and equipment		(146)	(223)	(121)
Purchases of intangible assets		(112)	–	–
Proceeds from disposal of property, plant and equipment		<u>259</u>	<u>8</u>	<u>12</u>
<b>Net cash (used in)/generated from investing activities</b>		<u>(1,584)</u>	<u>1,642</u>	<u>(4,932)</u>
<b>Cash flow from financing activities</b>				
Proceeds from bank borrowings	27	35,066	6,987	–
Proceeds from other borrowings	27	8,350	30,949	29,820
Interest paid on bank borrowings	27	(56)	(1,042)	–
Interest paid on other borrowings	27	(26)	(795)	(1,345)
Repayment of bank borrowings	27	(6,041)	(37,235)	–
Repayment of other borrowings	27	<u>–</u>	<u>–</u>	<u>(22,999)</u>
<b>Net cash generated from/(used in) financing activities</b>		<u>37,293</u>	<u>(1,136)</u>	<u>5,476</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(560)</u>	<u>22,203</u>	<u>(22,117)</u>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u>717</u>	<u>157</u>	<u>22,360</u>
<b>Cash and cash equivalents at the end of the reporting period, represented by cash and cash equivalent</b>		<u><u>157</u></u>	<u><u>22,360</u></u>	<u><u>243</u></u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

*For the three years ended 31 December 2023, 2024 and 2025*

**1. GENERAL INFORMATION**

Hao Min Investment Holding Limited (豪民投資控股有限公司) (the “**Target Company**”) is a limited liability company incorporated in Hong Kong on 23 February 2026. In the opinion of the directors of the Target Company, the parent and the ultimate holding company of the Target Company is Optel Technology Limited (豪達爾科技有限公司) (“**Optel Technology**”), a private company incorporated in Hong Kong and Mr. Cao Dongdong (“**Mr. Cao**”) is the ultimate controlling party of the Target Company. The registered office and principal place of business of the Target Company are located at Room 1201, 12/F., Shanghai Industrial Investment Building, 48–62 Hennessy Road, Wanchai, Hong Kong.

The Target Company is an investment holding company. The Target Company and its subsidiaries (hereinafter collectively referred to as the “**Target Group**”) are primarily engaged in production and sales of fiber optic preforms and optical fibers, research and development, after-sales service, and technical services for the aforementioned products (the “**Business**”) in the mainland of People’s Republic of China (the “**PRC**”).

On 13 April 2026, Transtech (Hong Kong) Investment Limited (the “**Buyer**”, a wholly-owned subsidiary of Transtech Optelecom Science Holdings Limited (the “**Company**”)) entered into an acquisition agreement with Optel Technology (the “**Seller**”), 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 (the “**Acquisition**”).

**2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION****2.1 Reorganisation**

Prior to the incorporation of the Target Company and the completion of the reorganisation (the “**Reorganisation**”), the Business was principally operated by Hangzhou Company, a limited liability company incorporated in the PRC throughout the years ended 31 December 2023, 2024 and 2025 (the “**Relevant Periods**”).

Hangzhou Company was owned as to 51% by Optel Technology as at 31 December 2025 and as to 49% by Futong Group Co., Ltd. (富通集團有限公司) (“**Futong China**”) during the Relevant Periods.

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## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

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For the purpose of this report, the financial information of the Business was included throughout the Relevant Periods.

The Reorganisation was undertaken subsequent to 31 December 2025 pursuant to which certain equity interest of Hangzhou Company were transferred to the Target Group through following arrangement:

Firstly, the Target Company was set up by Mr. Cao with registered share capital of HK\$10,000;

Then, the Target Company set up a wholly owned subsidiary, Hangzhou Hao Min Information Technology Co., Ltd. (杭州豪民信息技術有限公司), in PRC, with registered capital of RMB10,000,000; and

Finally, 51% of equity interest in Hangzhou Company was transferred to Hangzhou Hao Min Information Technology Co., Ltd. for cash.

Pursuant to the Reorganisation described above, the Target Company has become the holding company of the companies now comprising the Target Group on 30 March 2026. As at the date of this report, the Target Company indirectly owned 51% equity interest of Hangzhou Company.

As the Reorganisation involved inserting newly formed entities as the new holding companies of Hangzhou Company and has not resulted in any change of economic substance, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Hangzhou Company with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Target Group where this is a shorter period. The consolidated statements of financial position of the Target Group as at 31 December 2023, 2024 and 2025 have been prepared to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure were in existence at those dates.

No other statutory financial statements of Hangzhou Company were issued during the Relevant Periods where there are no statutory audit requirements.

## **2.2 Basis of preparation and presentation of the historical financial information**

The Historical Financial Information presents the financial track record of the Target Group for the Relevant Periods and is prepared for the purposes of inclusion in a circular of the Company to its shareholders for the Acquisition, using the accounting policies which are materially consistent with those of the Company as applied in the Company's consolidated financial statements for the year ended 31 December 2025.

The Historical Financial Information has been prepared based on accounting policies which conform with HKFRS Accounting Standards issued by the HKICPA, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The HKICPA has issued a number of new/revised HKFRS Accounting Standards during the Relevant Periods. For the purpose of the preparation of the Historical Financial Information, the Target Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2025 throughout the Relevant Periods.

### ***Going concern***

The Historical Financial Information has been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in future and the success of the below plans and measures.

As at 31 December 2024 and 31 December 2025, the Target Group has net current liabilities of approximately RMB4,019,000 and RMB38,139,000, respectively. As at 31 December 2024 and 31 December 2025, Hangzhou Company's outstanding other borrowings amounting to approximately RMB39,299,000 and RMB46,120,000, respectively, are due for repayment within one year. Such other borrowings are entrusted loans from Hangzhou Company's related party, Sumitomo Electric Investment (Shanghai) Co., Ltd. (住友電工投資(上海)有限公司, “**SMS**”), and Yinhu Optical Fiber (Tianjin) Co., Ltd. (銀湖光纖(天津)有限公司, “**Tianjin Yinhu**”) (formerly known as Tianjin SEI-Futong Optical Fiber Co., Ltd., 富通住電光纖(天津)有限公司). Moreover, the Target Group reported losses of approximately RMB216,511,000, RMB47,164,000 and RMB43,783,000 during the year ended 31 December 2023, 2024 and 2025, respectively.

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These conditions indicate an uncertainty exists that may cast doubt on the Target Group's ability to continue as a going concern. Therefore, the Target Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared on the assumptions that the Target Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2025 and subsequently thereto up to the date of this report.

The directors of the Target Company have reviewed the cash flow projections prepared by management, which cover a period of twelve months from the date of this report. In the opinion of the directors of the Target Company, after taking into account the anticipated cash flows to be generated from the Target Group's operations, the Target Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2025. Accordingly, the directors of the Target Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The measurement basis used in the preparation of the Historical Financial Information is historical cost. The Historical Financial Information are presented in Renminbi ("RMB"), unless otherwise stated, which is the same as the functional currencies of the Target Company and its subsidiaries. All values are rounded to the nearest thousand except when otherwise indicated.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### **Non-controlling interests**

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS Accounting Standards.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-

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generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises.

### **Related parties**

A party is considered to be related to the Target Group if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Target Group;
  - (ii) has significant influence over the Target Group; or
  - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Group; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Target Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Target Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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**APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);  
  
a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (vii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5% to 8.1%
Machinery	10.0%
Tools and equipment	10.0%
Motor vehicles	20.0%
Electronic equipment	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### ***Software***

The Target Group's software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 5 years, commencing from the date when the products are put into commercial production.

### **Leases**

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***The Target Group as a lessee***

The Target Group applies a single recognition and measurement approach for all leases. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets as separate line items in the statements of financial position.

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(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Equipments	7 years
Land use rights	50 years

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for termination of a lease, if the lease term reflects the Target Group exercising the option to terminate the lease.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### **Financial assets**

#### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured in accordance with HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset.

### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

#### ***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's statements of financial position) when the rights to receive cash flows from the asset have expired.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

**Impairment of financial assets**

The Target Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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The Target Group considers a financial asset in default when contractual payments are 90 days to 150 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### ***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### ***Initial recognition and measurement***

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

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The Target Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, due to related parties, interest-bearing bank and other borrowings and lease liabilities.

### ***Subsequent measurement***

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and necessary to make the sale.

### **Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, excluding bank balances that are subject to regulatory restrictions, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Revenue recognition*****Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

**Other employee benefits*****Pension scheme***

The employees of the Target Group which operates in PRC are required to participate in a central pension scheme operated by the local municipal government. The Target Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statements of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

***Termination benefits***

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Target Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. The grants are presented in the statements of profit or loss and other comprehensive income as a reduction of the related expense.

**Key sources of estimation uncertainty**

In the application of the Target Group's accounting policies, the directors of the Target Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

***Impairment of non-financial assets***

The Target Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period, which are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2023, 2024 and 2025, the aggregate carrying amount of the non-financial assets was approximately RMB79,310,000, RMB68,845,000 and RMB59,182,000, respectively.

***Estimated impairment of trade receivables***

The Target Group recognises lifetime ECL for trade receivables. When measuring ECL, the Target Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Target Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is based on the Target Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit impaired are assessed for ECL individually. The information about the ECL and trade receivables are disclosed in Note 19.

***Net realisable value of inventories***

The carry amounts of inventories at each year/period end included in the statements of financial position, which are stated at the lower of the cost and net realisable value. The Target Group recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed. As at 31 December 2023, 2024 and 2025, the carrying amount of inventories was approximately RMB42,179,000, RMB29,753,000 and RMB26,037,000 respectively (Note 17).

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***Recognition of income taxes and deferred tax assets***

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. As at 31 December 2023, 2024 and 2025, the deferred tax assets was approximately RMB8,264,000, nil and nil, respectively (Note 11).

**Future changes in HKFRS Accounting Standards**

At the date of this report, the HKICPA has issued the following new and amendments to HKFRS Accounting Standards that are not yet effective for the Relevant Periods, which the Target Group has not early adopted:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity	1 January 2026
Amendments to HKFRS Accounting Standards	Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 19	Amendments to Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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Except for the new HKFRS Accounting Standard mentioned below, the directors of the Target Group anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

### ***HKFRS 18 Presentation and Disclosure of Financial Statements***

This standard introduces the following three sets of new requirements to improve entities' reporting of financial performance and give investors a better basis for analysing and comparing entities:

- Presentation of new defined subtotals in the statement of profit or loss;
- Disclosures about management-defined performance measures; and
- Enhanced requirements for grouping (aggregation and disaggregation) of information.

HKFRS 18 supersedes HKAS 1 "Presentation of Financial Statements". Requirements in HKAS 1 that are unchanged have been transferred to HKFRS 18 and other HKFRS Accounting Standards. HKFRS 18 is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. It is expected to affect the structure and presentation of the consolidated statement of profit or loss and other comprehensive income. The Target Group is still currently assessing the impact that HKFRS 18 will have on the Target Group.

#### **4. OPERATING SEGMENT INFORMATION**

For management purposes, the Target Group is organised into one single business unit that includes primarily the manufacture and sale of fibre products and the provision of fiber processing services. Management reviews the results of the Target Group as a whole when making decisions about allocating resources and assessing the performance of the Target Group. Accordingly, no segment analysis is presented.

The principal assets employed by the Target Group are located in Hangzhou, Zhejiang Province, the PRC. Therefore, no segment information based on the geographical location of non-current assets is presented for the Relevant Periods.

During the Relevant Periods, all of the Target Group's revenue was derived from activities carried out and from customers located in the PRC and no geographical segment analysis is prepared.

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The Target Group is primarily engaged in the production and sales of optical fiber preforms and optical fibers and providing fiber processing services in the PRC. Revenue from sales of optical fiber and preform products is recognised when control of the assets is transferred to the customer, which typically occurs upon delivery of the optical fiber and fiber preform products, where the performance obligation is satisfied. Revenue relating to fiber processing services is recognised over time throughout the processing period because the Target Group's performance enhances an asset that its customer controls as the asset is enhanced. The Target Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Target Group's contract period between contract date and transfer of the associated goods or service is less than one year.

**Information about major customers**

Details of the customers (including entities under common control) individually accounting for 10% or more of aggregate revenue of the Target Group during the Relevant Periods are as follows:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	15,396	<i>Note</i>	<i>Note</i>
Customer B	5,074	21,849	7,951
Customer C	<i>Note</i>	2,559	2,101
Customer D	<u><i>Note</i></u>	<u><i>Note</i></u>	<u>6,203</u>

*Note:* Customer A did not contribute revenue in the year ended 31 December 2024 and 2025, customer C contributed less than 10% of the total revenue of the Target Group in the year ended 31 December 2023 and customer D did not contribute revenue in the year ended 31 December 2023 and 2024.

There is certain significant concentration of credit risk arising from these customers.

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**APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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**5. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue, other income and gains is as follow:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers</b>			
Sale of goods, recognised at a point in time	22,065	21,849	19,185
Service of fiber processing, recognised over time	<u>29</u>	<u>2,562</u>	<u>2,156</u>
	<u>22,094</u>	<u>24,411</u>	<u>21,341</u>
<b>Other income and gains and losses, net</b>			
Government grants ( <i>note</i> )	1,122	109	94
Bank interest income	1	65	177
Interest income from related parties	23	75	4
Others	<u>170</u>	<u>72</u>	<u>31</u>
	<u>1,316</u>	<u>321</u>	<u>306</u>

*Note:*

Government grants represented the subsidies received from the local government in support of the business operation. There was no condition to be fulfilled by the Target Group in relation to the subsidies.

Details of the disaggregation of the Target Group's revenue and revenue recognition policies are set out in note 4.

## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

### 6. LOSS BEFORE INCOME TAX

The Target Group's loss before income tax is arrived at after charging/(crediting):

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Auditor's remuneration	–	–	412
Amortisation of intangible assets (included in cost of sales and administrative expenses) <i>(Note 16)</i>	140	140	75
Cost of inventories sold	50,250	51,515	43,073
Depreciation of property, plant and equipment <i>(Note 14)</i>	10,170	9,988	9,147
Depreciation of right-of-use assets <i>(Note 15)</i>	556	556	556
Employee benefit expense <i>(Note 9)</i>	21,897	21,188	17,587
Gain on disposal of property, plant and equipment	(124)	(4)	(6)
Write-down of inventories to net realisable value	<u>375</u>	<u>–</u>	<u>–</u>

### 7. FINANCE COSTS

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	509	617	–
Interest on other borrowings	<u>–</u>	<u>796</u>	<u>1,473</u>
Total	<u>509</u>	<u>1,413</u>	<u>1,473</u>

### 8. DIRECTOR'S EMOLUMENT

The directors of the Target Company consider the presentation of directors' emolument is not meaningful for the purpose of this report.

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**9. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION (NOTE 8))**

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expense (including directors' remuneration ( <i>note 8</i> )):			
Wages, salaries and other benefits	15,851	15,608	12,784
Pension scheme contributions (defined contribution scheme)	<u>6,046</u>	<u>5,580</u>	<u>4,803</u>
	<u><u>21,897</u></u>	<u><u>21,188</u></u>	<u><u>17,587</u></u>

**10. FIVE HIGHEST PAID INDIVIDUALS**

The directors of the Target Company consider the presentation of individual with highest emolument information is not meaningful for the purpose of this report.

**11. INCOME TAX EXPENSE**

Hangzhou Company is subject to the PRC enterprise income tax, adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25%. Details of income tax recognised during the Relevant Periods are set out below:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	–	–	–
Deferred tax	<u>8,264</u>	<u>–</u>	<u>–</u>
Total	<u><u>8,264</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

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A reconciliation of the tax expense applicable to loss before income tax to the income tax expense is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss before income tax	<u>(208,247)</u>	<u>(47,164)</u>	<u>(43,783)</u>
Tax at the statutory tax rate of 25%	(52,062)	(11,791)	(10,946)
Expenses not deductible for tax	73	39	4
Tax losses not recognised due to improbable future taxable profits	9,585	11,481	10,707
Reversal of deferred tax assets	8,264	–	–
Effect of temporary differences not recognised	<u>42,404</u>	<u>271</u>	<u>235</u>
Income tax expense for the year	<u>8,264</u>	<u>–</u>	<u>–</u>

At 31 December 2023, 2024 and 2025, the Target Group has tax losses of RMB68,838,000, RMB114,758,000 and RMB157,584,000 respectively, the tax losses will expire in one to five years for offsetting against future taxable profits. Relevant deferred tax assets have not been recognised due to improbable future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the Target Group is loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be recognised.

Tax effect of temporary differences not recognised mainly represents tax effect of temporary differences related to depreciation of property, plant and equipment, and provision for asset impairment. Deferred tax assets have not been recognised in respect of the temporary differences as it is not considered probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 12. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

## 13. DIVIDEND

The directors of the Target Company did not recommend payment of any dividends for the Relevant Periods.

## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

### 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Tools and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
At 1 January 2023	73,724	253,394	7,063	623	8,446	846	344,096
Addition	–	–	–	–	–	146	146
Transfer	–	316	7	–	669	(992)	–
Disposal	–	(1,124)	–	–	(1,134)	–	(2,258)
At 31 December 2023	73,724	252,586	7,070	623	7,981	–	341,984
Addition	–	–	–	–	–	223	223
Transfer	–	102	109	–	12	(223)	–
Disposal	–	(30)	(15)	–	–	–	(45)
At 31 December 2024	73,724	252,658	7,164	623	7,993	–	342,162
Addition	–	–	–	–	–	121	121
Transfer	–	–	114	–	7	(121)	–
Disposal	–	–	(4)	–	(50)	–	(54)
At 31 December 2025	73,724	252,658	7,274	623	7,950	–	342,229
<b>Accumulated depreciation</b>							
At 1 January 2023	(40,883)	(218,862)	(5,421)	(442)	(7,196)	–	(272,804)
Charge for the year	(3,342)	(6,087)	(317)	(77)	(347)	–	(10,170)
Disposal	–	1,101	–	–	1,022	–	2,123
At 31 December 2023	(44,225)	(223,848)	(5,738)	(519)	(6,521)	–	(280,851)
Charge for the year	(3,342)	(5,990)	(266)	(42)	(348)	–	(9,988)
Disposal	–	28	13	–	–	–	41
As at 31 December 2024	(47,567)	(229,810)	(5,991)	(561)	(6,869)	–	(290,798)
Charge for the year	(3,342)	(5,302)	(208)	–	(295)	–	(9,147)
Disposal	–	–	3	–	45	–	48
As at 31 December 2025	(50,909)	(235,112)	(6,196)	(561)	(7,119)	–	(299,897)
<b>Net carrying amount</b>							
At 31 December 2023	<u>29,499</u>	<u>28,738</u>	<u>1,332</u>	<u>104</u>	<u>1,460</u>	<u>–</u>	<u>61,133</u>
At 31 December 2024	<u>26,157</u>	<u>22,848</u>	<u>1,173</u>	<u>62</u>	<u>1,124</u>	<u>–</u>	<u>51,364</u>
At 31 December 2025	<u>22,815</u>	<u>17,546</u>	<u>1,078</u>	<u>62</u>	<u>831</u>	<u>–</u>	<u>42,332</u>

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**APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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As the Target Group incurs continuous losses during the Relevant Periods, management of the Target Group concludes there are impairment indicators for non-financial assets as at 31 December 2023, 2024, and 2025, impairment assessments are performed at each reporting date. The impairment test is based on the recoverable amount of the non-financial assets which are estimated individually. The recoverable amount was based on the fair value less cost to disposal. The fair values of non-financial assets are established by market approach. The market approach considers prices recently paid for similar assets with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Based on the impairment assessments, no impairment loss is recognised.

**15. RIGHT-OF-USE ASSETS**

	<b>Land use rights</b> <i>RMB'000</i>
<b>Cost</b>	
At 1 January 2023, 31 December 2023, 31 December 2024 and 31 December 2025	<u>26,239</u>
<b>Accumulated depreciation</b>	
At 1 January 2023	7,742
Charge for the year	<u>556</u>
At 31 December 2023	8,298
Charge for the year	<u>556</u>
At 31 December 2024	8,854
Charge for the year	<u>556</u>
At 31 December 2025	<u>9,410</u>
<b>Net carrying amount</b>	
At 31 December 2023	<u><u>17,941</u></u>
At 31 December 2024	<u><u>17,385</u></u>
At 31 December 2025	<u><u>16,829</u></u>

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The Target Group leases land use rights to operate its production. The leases of land use rights are made for fixed periods of seven to fifty years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants.

As management of the Target Group concluded there are impairment indicators for non-financial assets of the Target Group as at 31 December 2023, 2024, and 2025, therefore, impairment assessments were performed at each reporting date. The key assumptions that management used in the valuation is disclosed in note 14.

**16. INTANGIBLE ASSETS**

	<b>Software</b> <i>RMB'000</i>
<b>Cost</b>	
At 1 January 2023	15,845
Addition	<u>112</u>
At 31 December 2023, 31 December 2024 and 31 December 2025	<u>15,957</u>
<b>Accumulated amortisation</b>	
At 1 January 2023	15,581
Charge for the year	<u>140</u>
At 31 December 2023	15,721
Charge for the year	<u>140</u>
At 31 December 2024	15,861
Charge for the year	<u>75</u>
At 31 December 2025	<u>15,936</u>
<b>Net Carrying Amount</b>	
At 31 December 2023	<u><u>236</u></u>
At 31 December 2024	<u><u>96</u></u>
At 31 December 2025	<u><u>21</u></u>

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As management of the Target Group concluded there are impairment indicators for non-financial assets of the Target Group. as at 31 December 2023, 2024, and 2025, therefore, impairment assessments were performed at each reporting date. The key assumptions that management used in the valuation is disclosed in note 14.

**17. INVENTORIES**

Inventories in the consolidated statements of financial position comprise:

	At 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	20,061	17,985	15,852
Work in progress	8,938	11,736	10,153
Finished goods	<u>13,180</u>	<u>32</u>	<u>32</u>
	<u>42,179</u>	<u>29,753</u>	<u>26,037</u>

The management of the Target Group determined the net realisable value of the inventories by reference to the estimated selling prices of the inventories, which takes into account a number of factors including prevailing market conditions in the PRC, estimated costs to completion, and costs necessary to make the sales.

**18. PREPAYMENTS AND OTHER RECEIVABLES**

	At 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other receivables	107	104	1
Prepayments	<u>1,407</u>	<u>114</u>	<u>363</u>
	<u>1,514</u>	<u>218</u>	<u>364</u>

The Target Group applies a general approach in calculating ECLs for other receivables. Other receivables related to debtors that are in default are classified as Stage 3 and the lifetime ECL rate was estimated to be 100% based on historical credit loss experience. The remaining other receivables are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition.

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**19. DUE FROM RELATED PARTIES**

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	206,734	161,729	160,868
Prepayments and other receivables	<u>10,977</u>	<u>9,993</u>	<u>15,435</u>
Due from related parties	<u>217,711</u>	<u>171,722</u>	<u>176,303</u>
Less: impairment of due from related parties	<u>(169,483)</u>	<u>(170,207)</u>	<u>(170,785)</u>
Net carrying amount	<u><u>48,228</u></u>	<u><u>1,515</u></u>	<u><u>5,518</u></u>

As at 1 January 2023, the net carrying amount of trade receivables from contracts with customers included in due from related parties is approximately RMB209,110,000.

For the purpose of ECL assessment of due from related parties, save for the trade and other receivables due from Yinhu Optical Fiber (Jiaxing) Co., Ltd. (銀湖光纖(嘉興)有限公司, “**Jiaxing Yinhu**”) (formerly known as Jiaxing SEI-Futong Optical Fiber Co., Ltd., 富通住電光纖(嘉興)有限公司), which has the same controlling shareholder, Sumitomo Electric Industries, Ltd. (“**SEI**”, 住友電氣工業株式會社) before 22 October 2025 and Optel Technology from 22 October 2025, as disclosed below and other receivables, these balances are classified as Stage 1 applying the simplified approach of HKFRS 9 as at 31 December 2023, 2024 and 2025.

As at 31 December 2023, 2024 and 2025, included in the balance is an amount due from one of the Target Group’s related parties, Jiaxing Yinhu, of approximately RMB150,339,000, RMB104,701,000 and RMB105,278,000, respectively, which has been in default and are classified as Stage 3 and the lifetime ECL rate was estimated to be 100% based on historical credit loss experience and expected subsequent settlement. Certain agreements were entered into between Hangzhou Company with Jiaxing Yinhu in respect of the settlement arrangement dated 1 September 2018 to 31 March 2022. Pursuant to the agreements, for each day of delay in payment, Jiaxing Yinhu shall pay liquidated damages for overdue payment to Hangzhou Company at an annual interest rate of 5.22%.

For other receivables due from related parties, in order to minimise the credit risk, the management of the Target Group closely monitors the follow-up action taken to recover any past due balances. In addition, the Target Group monitors subsequent recovery or settlement of each of the balances to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Target Group has applied the general approach in HKFRS 9 to measure the ECL

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allowance at 12-month ECL, since there has not been a significant increase in credit risk since initial recognition for the balances, save for other receivables due from Jiaxing Yinhu from which ECL is included in below disclosure.

The trading terms with its related parties are mainly on credit and the credit period is generally 30 to 90 days. An ageing analysis of the trade receivables included in due from related parties, based on the invoice date and net of loss allowance, is as follows:

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 180 days	–	1,358	497
181 – 270 days	–	–	–
271 – 365 days	–	–	–
Over 365 days	<u>46,362</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u><u>46,362</u></u>	<u><u>1,358</u></u>	<u><u>497</u></u>

The movements in loss allowance for impairment of due from related parties are as follows:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lifetime ECL – credit impaired			
At 1 January	–	169,483	170,207
Provision for impairment losses	<u>169,483</u>	<u>724</u>	<u>578</u>
<b>As at 31 December</b>	<u><u>169,483</u></u>	<u><u>170,207</u></u>	<u><u>170,785</u></u>

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The credit quality of due from related parties is as follows:

	<b>Current (not past due) RMB'000</b>	<b>Less than 3 months past due RMB'000</b>	<b>3 to 6 months past due RMB'000</b>	<b>Over 6 months past due RMB'000</b>	<b>Total RMB'000</b>
<b>As at 31 December 2023</b>					
ECL rate	93.46%	100.00%	100.00%	72.20%	77.85%
Gross carrying amount	28,521	16,060	6,351	166,779	217,711
ECL	(26,655)	(16,060)	(6,351)	(120,417)	(169,483)
<b>As at 31 December 2024</b>					
ECL rate	87.04%	83.77%	100.00%	100.00%	99.12%
Gross carrying amount	11,301	308	3,776	156,337	171,722
ECL	(9,836)	(258)	(3,776)	(156,337)	(170,207)
<b>As at 31 December 2025</b>					
ECL rate	65.37%	–	–	100.00%	96.87%
Gross carrying amount	15,931	–	–	160,372	176,303
ECL	<u>(10,413)</u>	<u>–</u>	<u>–</u>	<u>(160,372)</u>	<u>(170,785)</u>

**20. CASH AND CASH EQUIVALENTS**

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances included in cash and cash equivalents	<u>157</u>	<u>22,360</u>	<u>243</u>

At 31 December 2023, 2024 and 2025, all of the Target Group's cash and bank balances are denominated in RMB.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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**21. TRADE PAYABLES**

An aging analysis of the trade payables of the Target Group as at the end of the reporting period, based on the invoice date, is as follows:

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	1,451	1,171	2,949
31 to 60 days	535	1,246	1,221
61 to 90 days	101	583	358
91 to 120 days	118	–	–
121 to 365 days	159	2	–
Over 365 days	<u>174</u>	<u>170</u>	<u>172</u>
	<u><u>2,538</u></u>	<u><u>3,172</u></u>	<u><u>4,700</u></u>

The trade payables are unsecured, non-interest-bearing and are normally settled on terms of 30 to 60 days.

**22. OTHER PAYABLES AND ACCRUALS**

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables and accruals ( <i>Note</i> )	897	652	2,039
Payroll and bonus payables	1,782	1,811	2,161
Interest payables	427	3	131
Other tax payables	<u>1,098</u>	<u>1,120</u>	<u>540</u>
	<u><u>4,204</u></u>	<u><u>3,586</u></u>	<u><u>4,871</u></u>

*Note:* Other payables are unsecured, non-interest-bearing and repayable on demand.

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**23. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	<b>Effective interest rate (% per annum)</b>	<b>Maturity</b>	<b>Current RMB'000</b>
<b>Short-term bank borrowings</b>			
<b>At 31 December 2023</b>			
Secured	3.34%	2024	<u>30,248</u>
<b>Short-term other borrowings</b>			
<b>At 31 December 2023</b>			
Unsecured	3.30%	2024	<u>8,350</u>
<b>At 31 December 2024</b>			
Unsecured	3.30%	2025	<u>39,299</u>
<b>At 31 December 2025</b>			
Unsecured	3.30%	2026	<u>46,120</u>
<b>At 31 December</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Bank and other borrowings repayable:</b>			
Within one year	<u>38,598</u>	<u>39,299</u>	<u>46,120</u>

As at 31 December 2023, bank borrowings with variable rate amounting to RMB30,248,000 are guaranteed by SEI, the then controlling shareholder holding 51% equity interest of Hangzhou Company before 22 October 2025.

As at 31 December 2023, 2024 and 2025, other borrowings are entrusted loan from Hangzhou Company's related party, SMS and Tianjin Yinhu, amounting to RMB8,350,000, RMB39,299,000 and RMB46,120,000, respectively. The entrusted loan is with fixed interest of 3.30% per annum and unsecured. In November 2025, all outstanding entrusted loan's maturity period was extended to November 2026. Subsequent to the year ended 31 December 2025, Hangzhou Company made aggregate repayment of RMB46,120,000 to Tianjin Yinhu.

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### 24. SHARE CAPITAL

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid ( <i>note</i> )	<u>104,606</u>	<u>104,606</u>	<u>104,606</u>

*Note:*

For the purpose of this report, the share capital of the Target Group as at 31 December 2023, 2024 and 2025 represented the 51% share capital of Hangzhou Company held by the respective shareholders during the Relevant Periods. The remaining 49% share capital of Hangzhou Company of approximately RMB100,461,000 is held by Futong China and recognised as non-controlling interest as at each reporting date.

### 25. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Name and relationship

Name of related party	Relationship
– SEI	Shareholder holding 51% equity interest of Hangzhou Company (before 22 October 2025)
– Optel Technology	Ultimate controlling shareholder holding 51% equity interest of Hangzhou Company (from 22 October 2025)
– Futong China	Non-controlling shareholder holding 49% equity interest of Hangzhou Company
– SUMITOMO ELECTRIC ASIA LTD (“ <b>SEA</b> ”)	<i>Note (i)</i>
– Sumitomo Electric Investment (Shanghai) Co., Ltd. (“ <b>SMS</b> ”) 住友電工投資(上海)有限公司	<i>Note (i)</i>
– Sumitomo Electric Trading (Shenzhen) Co., Ltd. (“ <b>SET Shenzhen</b> ”) 住友電工貿易(深圳)有限公司	<i>Note (i)</i>
– Futong Technology Research Institute Co., Ltd. (“ <b>Futong Technology</b> ”) 富通技術研究院有限公司	<i>Note (iii)</i>
– Hangzhou Futong Communication Technology Co., Ltd. (“ <b>Hangzhou Futong Communication</b> ”) 杭州富通通信技術股份有限公司	<i>Note (iii)</i>
– Zhejiang Futong Optical Fibre Technology Co., Ltd. (“ <b>Zhejiang FTO</b> ”) 浙江富通光纖技術有限公司	<i>Note (iii)</i>
– Tianjin Yinhu	<i>Note (ii)</i>

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<b>Name of related party</b>	<b>Relationship</b>
– Jiaxing Yinhu	<i>Note (ii)</i>
– Jiaxing Yinhu Optelecom Technology Co., Ltd. (“ <b>Jiaxing Optelecom</b> ”) (formerly known as Jiaxing SEI-Futong Optelecom Technology Co., Ltd.) 銀湖光導科技(嘉興)有限公司 (曾用名：富通住電光導科技(嘉興)有限公司)	<i>Note (ii)</i>
– Chengdu SEI Optical Fiber Co., Ltd. (“ <b>SEI Chengdu</b> ”) 成都中住光纖有限公司	<i>Note (i)</i>
– Transtech Optical Communication Company Limited. (“ <b>Transtech</b> ”) 高科橋光通信有限公司	<i>Note (iv)</i>
– Futong (Jiashan) Optical Communication Technology Co., Ltd. (“ <b>Futong Jiashan Optical Communication</b> ”) 富通(嘉善)光通信技術有限公司	<i>Note (iii)</i>
– Futong Group (Jiashan) Communication Technology Co., Ltd. (“ <b>Futong Jiashan</b> ”) 富通集團(嘉善)通信技術有限公司	<i>Note (iii)</i>

*Notes:*

- (i) Fellow subsidiary of Hangzhou Company before 22 October 2025.
- (ii) Common controlling shareholders (note 19) and associate of non-controlling interest throughout the Relevant Periods.
- (iii) Subsidiary of non-controlling interest throughout the Relevant Periods.
- (iv) Subsidiary of the Group throughout the Relevant Periods.

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**APPENDIX II      ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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**(b) Related party transactions**

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Group had the following transactions with related parties:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Sales of goods to related parties (Note (i))</b>			
Hangzhou Futong Communication	15,396	–	–
Tianjin Yinhu	1,595	–	–
SET Shenzhen	5,074	21,849	7,951
Futong Jiashan Optical Communication	–	–	6,203
Optel Technology	–	–	1,717
Transtech	–	–	<u>1,706</u>
<b>Technical development service income to related parties (Note (ii))</b>			
SEI Chengdu	25	2,559	2,101
Tianjin Yinhu	<u>4</u>	<u>3</u>	<u>55</u>
<b>Purchase of goods from related parties (Note (iv))</b>			
SEA	–	732	1,166
SEI	544	782	39
Zhejiang FTO	345	–	–
Tianjin Yinhu	5,475	1,542	7,883
Jiaxing Optelecom	–	<u>18</u>	<u>–</u>

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	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Technical development service expenses from related parties</b>			
SEI	302	139	–
SMS	657	519	–
Futong China	549	621	330
Hangzhou Futong Communication	486	360	–
Jiaxing Yinhu	–	15	31
Jiaxing Optelecom	<u>–</u>	<u>–</u>	<u>12</u>
<b>Interest expense charged by related parties</b> <i>(Note (vi))</i>			
Tianjin Yinhu	–	530	847
SMS	<u>–</u>	<u>266</u>	<u>626</u>
<b>Purchase of property, plant and equipment from related parties</b> <i>(Note (vii))</i>			
SEI	<u>61</u>	<u>–</u>	<u>–</u>
<b>Reimbursement of expenses paid on behalf of related parties</b> <i>(Note (vii))</i>			
SEI	<u>676</u>	<u>585</u>	<u>508</u>

*Note:*

- (i) The sales of goods to related parties were made according to the prices and terms agreed between the related parties.
- (ii) The technical development service income from related parties was made according to the prices and terms offered by the related party.
- (iii) The management service fee charged to related parties was made according to the prices and terms offered by the related party.
- (iv) The purchases of goods from related parties were made according to the prices and terms offered by the related parties.
- (v) The lease payment to related party was based on the prices and terms agreed between the related parties.

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(vi) The interest expense are from entrusted loan with related parties.

(vii) The expenses are personal income tax of foreign staff from SEI.

### (c) Outstanding balances with related parties

	At 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Due from related parties</b>			
Jiaxing Yinhu ( <i>note (ii)</i> )	46,362	–	1,000
SEI	149	157	17
SET Shenzhen	–	1,358	–
Jiaxing Optelecom ( <i>note (i)</i> )	1,717	–	–
Futong Technology ( <i>note (ii)</i> )	–	–	4,004
Transtech	–	–	497
	<u>–</u>	<u>–</u>	<u>497</u>
Total	<u>48,228</u>	<u>1,515</u>	<u>5,518</u>
<b>Due to related parties</b>			
Zhejiang FTO	1,170	1,170	1,170
Jiaxing Yinhu	–	6	119
Hangzhou Futong Communication	561	967	978
Tianjin Yinhu	–	45	8,308
SEI	3,071	1,827	1,917
Futong China	681	166	66
SMS	1,505	2,057	–
Futong Technology	–	–	50
SEA	7,070	5,570	–
Futong Jiashan Optical Communication	–	–	1,170
Futong Jiashan	–	–	832
	<u>–</u>	<u>–</u>	<u>832</u>
Total	<u>14,058</u>	<u>11,808</u>	<u>14,610</u>

Notes:

(i) The balance represented the entrusted loan granted by Hangzhou Company which was fully repaid during the year ended 31 December 2024.

(ii) The balance represented loans receivable granted by Hangzhou Company which was fully repaid before 31 March 2026.

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**APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP**

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**(d) Other borrowings, entrusted loans from related parties**

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
SMS (Note 23)	–	22,999	–
Tianjin Yinhu (Note 23)	<u>8,350</u>	<u>16,300</u>	<u>46,120</u>
	<u><u>8,350</u></u>	<u><u>39,299</u></u>	<u><u>46,120</u></u>

**(e) Key management compensation**

Compensation for key management other than those for directors as disclosed in Note 8 during the Relevant Periods is as follows:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances, discretionary bonus and other benefits in kind	<u>519</u>	<u>586</u>	<u>597</u>

**26. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**Financial assets – at amortised cost**

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in other receivables (Note 18)	107	104	1
Due from related parties	48,228	1,465	5,518
Cash and cash equivalents	<u>157</u>	<u>22,360</u>	<u>243</u>
<b>Total</b>	<u><u>48,492</u></u>	<u><u>23,929</u></u>	<u><u>5,762</u></u>

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**Financial liabilities – at amortised cost**

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,538	3,172	4,700
Financial liabilities included in other payables and accruals ( <i>Note 22</i> )	1,324	655	2,170
Interest-bearing bank and other borrowings	38,598	39,299	46,120
Due to related parties	<u>14,058</u>	<u>11,808</u>	<u>14,610</u>
<b>Total</b>	<u><u>56,518</u></u>	<u><u>54,934</u></u>	<u><u>67,600</u></u>

**27. NOTES TO THE STATEMENT OF CASH FLOWS**

Changes in liabilities arising from financing activities are as follows:

	<b>Interest- bearing bank borrowings</b>	<b>Interest- bearing other borrowings</b>	<b>Interest payables</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2023</b>				
At 1 January 2023	1,223	–	–	1,223
Changes from financing cash flows	29,025	8,350	(82)	37,293
Interest expense	<u>–</u>	<u>–</u>	<u>509</u>	<u>509</u>
At 31 December 2023	<u><u>30,248</u></u>	<u><u>8,350</u></u>	<u><u>427</u></u>	<u><u>39,025</u></u>
<b>As at 31 December 2024</b>				
At 1 January 2024	30,248	8,350	427	39,025
Changes from financing cash flows	(30,248)	30,949	(1,837)	(1,136)
Interest expense	<u>–</u>	<u>–</u>	<u>1,413</u>	<u>1,413</u>
At 31 December 2024	<u><u>–</u></u>	<u><u>39,299</u></u>	<u><u>3</u></u>	<u><u>39,302</u></u>
<b>As at 31 December 2025</b>				
At 1 January 2025	–	39,299	3	39,302
Changes from financing cash flows	–	6,821	(1,345)	5,476
Interest expense	<u>–</u>	<u>–</u>	<u>1,473</u>	<u>1,473</u>
At 31 December 2025	<u><u>–</u></u>	<u><u>46,120</u></u>	<u><u>131</u></u>	<u><u>46,251</u></u>

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Target Group's principal financial instruments comprise bank and other borrowings, cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities, such as due from related parties, other receivables and trade and other payables, due to related parties, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The management of the Target Group reviews and agrees policies for managing each of these risks and they are recognised below.

**Interest rate risk**

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's interest-bearing bank borrowings with a floating interest rate. The Target Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

As at 31 December 2023, if the interest rates had been 100 basis points higher/lower with all other variables held constant, profit/loss before tax for the year/period would have been RMB226,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings. As at 31 December 2024 and 2025, the other borrowings bear fixed interest rates with insignificant interest rate risk.

**Credit risk**

Credit risk is the risk that a counterparty cannot meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Group is exposed to credit risk from its operating activities (primarily amounts due from related parties and other receivables).

The Target Group trades only with recognised and credit worthy third parties and related parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Group has significant exposure to individual customers. At the end of each reporting date, the Target Group's concentration of credit risk is not significant. The Target Group's

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## APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

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exposure to credit risk is influenced mainly by the historical settlement pattern of the customers. The credit risk of due from related parties at the end of each reporting period are disclosed in Note 19.

Other financial assets at amortised cost are other receivables. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of prepayments and other receivables is considered to be low. It is not the Target Group's policy to request collateral from its other debtors.

The management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low and, thus, the impact of ECL is insignificant for the years ended 31 December 2023, 2024 and 2025.

As at 31 December 2023, 2024 and 2025, substantially all the Target Group's bank balances are deposited with major financial institutions incorporated in the PRC Mainland, of which management believes are high credit quality without significant credit risk.

The carrying amounts of cash and cash equivalents, financial assets included in other receivables and due from related parties in the consolidated statement of financial position represent the Target Group's maximum exposure to credit risk in relation to its financial assets. The Target Group has no other financial assets which carry significant exposure to credit risk.

### **Liquidity risk**

The Target Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

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The maturity profile of the Target Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Weighted average interest rate per annum	On	Less than	3 to 12	1 to 5	Over 5	Total
		demand	3 months	months	years	years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2023</b>							
Interest-bearing bank and other borrowings	3.34%	702	4,312	34,286	–	–	39,300
Trade payables		2,538	–	–	–	–	2,538
Financial liabilities included in other payables and accruals		1,324	–	–	–	–	1,324
Due to related parties		14,058	–	–	–	–	14,058
<b>Total</b>		<u>18,622</u>	<u>4,312</u>	<u>34,286</u>	<u>–</u>	<u>–</u>	<u>57,220</u>
<b>31 December 2024</b>							
Interest-bearing bank and other borrowings	3.30%	939	–	39,299	–	–	40,238
Trade payables		3,172	–	–	–	–	3,172
Financial liabilities included in other payables and accruals		655	–	–	–	–	655
Due to related parties		11,808	–	–	–	–	11,808
<b>Total</b>		<u>16,574</u>	<u>–</u>	<u>39,299</u>	<u>–</u>	<u>–</u>	<u>55,873</u>
<b>31 December 2025</b>							
Interest-bearing bank and other borrowings	3.30%	1,395	–	46,120	–	–	47,515
Trade payables		4,700	–	–	–	–	4,700
Financial liabilities included in other payables and accruals		2,170	–	–	–	–	2,170
Due to related parties		14,610	–	–	–	–	14,610
<b>Total</b>		<u>22,875</u>	<u>–</u>	<u>46,120</u>	<u>–</u>	<u>–</u>	<u>68,995</u>

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## APPENDIX II      ACCOUNTANTS' REPORT ON THE TARGET GROUP

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### Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Target Group includes, within net debt, trade payables, other payables and accruals, interest-bearing bank and other borrowings, and due to related parties, less cash and cash equivalents. The gearing ratios at the end of each of the reporting periods were as follows:

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,538	3,172	4,700
Other payables and accruals ( <i>Note 22</i> )	4,204	3,586	4,871
Interest-bearing bank and other borrowings	38,598	39,299	46,120
Due to related parties ( <i>Note 25</i> )	14,058	11,808	14,610
Less: Cash and cash equivalents ( <i>Note 20</i> )	<u>(157)</u>	<u>(22,360)</u>	<u>(243)</u>
Net debt	59,241	35,505	70,058
Total equity	<u>111,990</u>	<u>64,826</u>	<u>21,043</u>
Total equity and net debt	<u>171,231</u>	<u>100,331</u>	<u>91,101</u>
Gearing ratio	<u>34.60%</u>	<u>35.39%</u>	<u>76.90%</u>

**29. EMPLOYEE RETIREMENT BENEFIT****Defined contribution retirement plans**

Pursuant to the relevant labour rules and regulations in the PRC, the Target Group's PRC subsidiaries participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in Hangzhou whereby Hangzhou Company is required to make contributions to the Scheme at rates of 16% of the eligible employees' relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The Target Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

**30. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to 31 December 2025, save as disclosed elsewhere in the Historical Financial Information, the Target Group has not had any significant subsequent events.

**31. SUBSEQUENT CONSOLIDATED FINANCIAL STATEMENTS**

No audited consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards and/or other applicable financial reporting standards for the Target Group in respect of any period subsequent to 31 December 2025.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's independent reporting accountants, Moore CPA Limited.

**(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**1. Introduction**

The following is the unaudited pro forma financial information of Transtech Optelecom Science Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), comprising the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2025 and related notes (collectively, the “**Unaudited Pro Forma Financial Information**”).

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company (the “**Directors**”) in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the purpose of illustrating the effect of the proposed acquisition of 100% of Hao Min Investment Holding Limited (the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) (the “**Proposed Acquisition**”) as described in the section headed “Letter from the Board” in this circular.

The Unaudited Pro Forma Financial Information presented below is prepared to illustrate the unaudited consolidated statement of assets and liabilities of the Group and the Target Group (collectively referred to as the “**Enlarged Group**”) as at 31 December 2025 as if the Proposed Acquisition had been completed on 31 December 2025. The Unaudited Pro Forma Financial Information of the Enlarged Group is based upon the audited consolidated statement of financial position of the Group which has been derived from the Company's published annual report for the year ended 31 December 2025, dated 31 March 2026, and of the Target Group for year ended 31 December 2025, which have been extracted from the accountants' report on the historical financial information of the Target Group as set out in Appendix II to the Circular, after taking pro forma adjustments as summarised in the accompanying notes that are clearly explained.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information. Accordingly, because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisition been completed as at the specified dates or any other dates. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2025 and the accountants' report on the historical financial information of the Target Group as set out in Appendix II to the Circular.

## 2. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2025

	As at 31 December 2025						Pro forma enlarged Group
	The Group	The Target Group	Pro forma adjustments				
	HKS'000	RMB'000	HKS'000	HKS'000	HKS'000	HKS'000	
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	208,992	42,332	46,868	19,843			275,703
Right of use assets	–	16,829	18,632	6,528			25,160
Intangible assets	–	21	23				23
Goodwill	–	–	–	32,256			32,256
Deposits and prepayments	24	–	–				24
Deferred tax assets	25,007	–	–				25,007
<b>Total non-current assets</b>	<b>234,023</b>	<b>59,182</b>	<b>65,523</b>				<b>358,173</b>
<b>CURRENT ASSETS</b>							
Inventories	31,419	26,037	28,827				60,246
Trade receivables	44,635	–	–				44,635
Deposits, prepayments and other receivables	6,052	364	403				6,455
Due from related parties	–	5,518	6,109				6,109
Bank and cash balances	5,233	243	269			(1,965)	3,537
<b>Total current assets</b>	<b>87,339</b>	<b>32,162</b>	<b>35,608</b>				<b>120,982</b>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

	As at 31 December 2025						Pro forma enlarged Group	
	The Group	The	HKS'000	Pro forma adjustments		HKS'000		
		Target		HKS'000	HKS'000			HKS'000
		Group						
HKS'000	RMB'000	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6			
<b>CURRENT LIABILITIES</b>								
Trade payables	17,354	4,700	5,204				22,558	
Accruals and other payables	4,014	4,871	5,393				9,407	
Contract liabilities	819	-	-				819	
Bank and other borrowings	24,815	46,120	51,062				75,877	
Due to related parties	-	14,610	16,175				16,175	
Fair value of financial liabilities at fair value through profit or loss	-	-	-		-		-	
Tax payables	<u>21</u>	<u>-</u>	<u>-</u>				<u>21</u>	
<b>Total current liabilities</b>	<u>47,023</u>	<u>70,301</u>	<u>77,834</u>				<u>124,857</u>	
<b>Net current assets/(liabilities)</b>	<u>40,316</u>	<u>(38,139)</u>	<u>(42,226)</u>				<u>(3,875)</u>	
<b>Total assets less current liabilities</b>	274,339	21,043	23,297				354,298	
<b>NON-CURRENT LIABILITY</b>								
Provisions	<u>1,196</u>	<u>-</u>	<u>-</u>				<u>1,196</u>	
<b>NET ASSETS</b>	<u><u>273,143</u></u>	<u><u>21,043</u></u>	<u><u>23,297</u></u>				<u><u>353,102</u></u>	

*Notes:*

- The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2025 included in the Group's published 2025 annual report.
- The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2025 included in the accountants' report on historical financial information of the Target Group as set out in Appendix II to the Circular.
- For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the conversion from Renminbi ("RMB") into Hong Kong dollars ("HK\$") is based on the exchange rate of approximately RMB1.00 = HK\$1.10175, the exchange rate prevailing as at 31 December 2025.

4. Upon completion of the Proposed Acquisition, the Target Company will become a subsidiary of the Company, assuming the Proposed Acquisition was completed on 31 December 2025, the Directors have carried out an illustrative consideration allocation exercise in accordance with the requirements of HKFRS 3 (Revised). The fair value of net identifiable assets of the Target Group as at 31 December 2025 to be accounted for the unaudited pro forma statement of assets and liabilities of the Enlarged Group is calculated as follows:

Pursuant to the sale and purchase agreement dated 13 April 2026 (the “**Sale and Purchase Agreement**”), the seller has conditionally agreed to sell and the Group has conditionally agreed to acquire the sale shares, representing the entire issued share capital of the Target Company, at the consideration of RMB78,000,000, which shall be satisfied by the allotment and issue a total of 48,367,000 new shares of the Company (“**Consideration Shares**”) at the issue price of HK\$1.85, to the seller as set out in the announcement dated 13 April 2026.

The excess amount of the consideration assumed to be transferred and the non-controlling interests over the pro forma fair value of the Target Groups’ identifiable assets and liabilities acquired is recognised as goodwill:

	<i>Notes</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>HK\$’000</i> <i>(unaudited)</i>
			<i>Note 3</i>
Consideration satisfied by Consideration Shares (100% equity interests acquired in the Target Group)	(a)	50,239	55,622
Add: Estimated acquisition related cost	6	1,775	1,965
Less: Fair value of identifiable net assets acquired at 31 December 2025	(b)	(44,861)	(49,668)
Adjust for non-controlling interest	(c)	<u>21,982</u>	<u>24,337</u>
Goodwill arising from the Proposed Acquisition	(d)	<u>29,135</u>	<u>32,256</u>

*Notes:*

- (a) For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, the fair value of the consideration shall be measured at the fair value of the Consideration Shares issued by the Company and the Directors assumed the fair value of each Consideration Shares is HK\$1.15, with reference to the closing price on 31 December 2025. The considerations satisfied by Consideration Shares amounted to approximately HK\$55,622,000, the difference to the par value of HK\$0.01 per Consideration Shares, totaling approximately HK\$55,138,000, is recognised as share premium.

The fair value of consideration will be subject to changes upon actual completion of the Proposed Acquisition in accordance with Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations (“**HKFRS 3**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Upon the completion of the Proposed Acquisition on fulfilment of the conditions as stipulated in the Sale and Purchase Agreement, the Directors will engage an independent qualified professional valuer to carry out the valuation of the Consideration Shares as at the date of completion of the Proposed Acquisition, based on the facts and circumstances existing as at that date. The valuation of the Consideration Shares may be significantly different from the assumed valuation used for the purpose of preparation of the Unaudited Pro Forma Financial Information.

- (b) Upon the completion of the Proposed Acquisition, the Group will directly own 100% equity interests in the Target Group and indirectly own an aggregate of approximately 51% effective equity interests in Futong Optoelectronic Technology (Hangzhou) Co., Ltd. (“**Hangzhou Company**”). Accordingly, the Target Group will become the subsidiaries of the Company and whose financial statements will be consolidated into the Company’s consolidated financial statements since the completion date of the Proposed Acquisition.

The identifiable assets and liabilities of the Target Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as at the completion date of the Proposed Acquisition, under acquisition accounting in accordance with HKFRS 3.

The allocation of the pro forma purchase consideration to the Target Group’s identifiable assets and liabilities acquired is made as if the Proposed Acquisition had taken place on 31 December 2025. The pro forma allocation of purchase consideration to the identifiable assets and liabilities is determined with reference to the valuation results of the Target Group as at 31 December 2025 issued by an independent valuer, King Kee Appraisal and Advisory Limited (the “**Valuer**”).

The Directors have assumed the pro forma fair values of property, plant and equipment of the Target Group as at 31 December 2025 with reference to a fair value determined by the Valuer. The pro forma fair value of property, plant and equipment and right of use assets was established by market approach to value the property, plant and equipment. The market approach considers prices recently paid for similar assets with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Based on the assessment, the pro forma fair values change was considered to approximately HK\$26,371,000.

For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors, the Target Group’s fair values of the assets and liabilities being acquired is subject to changes upon completion of the Proposed Acquisition because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion. Consequently, the resulting goodwill, the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

According to HKFRS 3 paragraph 14 and paragraphs B31-B40, the acquirer shall recognise, separately from goodwill, the identifiable intangible assets acquired in a business combination. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion. As part of a business combination, an acquirer may reacquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognised or unrecognised assets. Per our understanding about the Target Group's business, no such intangible assets exist and should be recognised during the Proposed Acquisition.

- (c) The amounts of the non-controlling interest of the Target Group as at 31 December 2025 is calculated at 49% of the pro forma fair value of Hangzhou Company's identifiable assets and liabilities by reference to the proportionate share of equity interest held by non-controlling shareholders in Hangzhou Company.
- (d) For the purpose of preparation of the Unaudited Pro Forma Financial Information, the pro forma goodwill is recognised.

The Directors confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of property, plant and equipment and goodwill under HKAS 36 "Impairment of Assets". The Directors consider that there is no impairment provision required for the purpose of this Unaudited Pro Forma Financial Information.

The Directors will follow the Group's accounting policy in respect of assets impairment assessment, including the assessment of the impairment of goodwill arising from the Proposed Acquisition when preparing the Company's consolidated financial statements covering the period in which the Acquisition is completed. The Company's consolidated financial statements will be subject to the annual audit by the Company's auditor in accordance with Hong Kong Standards of Auditing.

- 5. Pursuant to the acquisition agreement dated 13 April 2026, the seller guarantees to the Buyer that the actual net profits before tax ("**Actual Profits**") for the year ending 31 December 2026 shall be no less than the guaranteed profits before tax of RMB50,000,000 ("**Guaranteed Profits**").

If the Actual Profits is less than the Guaranteed Profits, the Seller shall pay to the Buyer a cash compensation (the "**Compensation**") calculated as follows:

Compensation = RMB78,000,000 × (Guaranteed Profits – Actual Profits)/Guaranteed Profits. The maximum Compensation payable shall be RMB25,000,000

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 profit guarantee should be measured at fair value at each reporting date, with changes in fair value recognised in profit or loss. The estimate of the pro forma fair value of the profit guarantee as at 31 December 2025 was measured in accordance to Hong Kong Financial Reporting Standard 13 “Fair Value Measurement”. Changes in subjective input assumptions could materially affect their pro forma fair values.

Based on the unaudited management account of Hangzhou Company for the period ended 31 March 2026, the Directors considered the profit guarantee shall be achievable, it is assumed that the profit guarantee has no fair value for the purpose of the Unaudited Pro Forma Financial Information.

Upon completion of the Proposed Acquisition, the Directors will engage an independent qualified professional valuer to carry out the valuation of the contingent consideration payable as at the date of completion of the Acquisition, based on facts and circumstances existing as at that date. The valuation of the profit guarantee may be significantly different from the assumed valuation used for the purpose of preparation of the Unaudited Pro Forma Financial Information.

6. The adjustment represents the estimated acquisition related costs of approximately HK\$1,965,000 (the “**Transaction Costs**”) assumed to be paid, including audit, legal, valuation and other professional services relating to the Proposed Acquisition, which would be settled by bank balances and cash of the Enlarged Group and are charged to profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group.
7. No adjustment has been made to reflect any trading results or other transaction of the Enlarged Group entered into subsequent to 31 December 2025 for the unaudited pro forma consolidated statement of assets and liabilities.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountant, Moore CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's unaudited pro forma financial information for the purpose in this circular.*

**Moore CPA Limited**

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Tsim Sha Tsui, Kowloon, Hong Kong

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Transtech Optelecom Science Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2025 and related notes as set out in Part A of Appendix III to the circular dated 26 June 2026 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 100% of Hao Min Investment Holding Limited (the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) (the “**Proposed Acquisition**”) on the Group's financial position as at 31 December 2025 as if the Proposed Acquisition had taken place at 31 December 2025. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2025, on which an auditor's report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2025 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Enlarged Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Moore CPA Limited**

*Certified Public Accountants*

**Hung Wan Fong Joanne**

Practising Certificate Number: P05419

Hong Kong, 26 June 2026

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2023, 2024 and 2025 (the “**Reporting Period**”), which is prepared based on the financial information of the Target Group as set out in Appendix II to this circular.

## BUSINESS OVERVIEW

The Target Company is an investment holding company which indirectly owned 51% equity interest on Hangzhou Company as at the Latest Practicable Date. During the Reporting Period, Hangzhou Company was principally engaged in the production and sale of optical fiber preforms and optical fibers in the PRC.

## RESULTS OF OPERATIONS

The following table sets out a summary of the key financial results of the Target Group for the Reporting Period, as extracted from the Accountants’ Report set out in Appendix II to this circular:

	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	22,094	24,411	21,341
Cost of sales	(50,863)	(59,809)	(53,911)
Gross loss	(28,769)	(35,398)	(32,570)
Loss before income tax	(208,247)	(47,164)	(43,783)
Net loss	(216,511)	(47,164)	(43,783)
Total assets	171,388	122,691	91,344
Net assets	111,990	64,826	21,043

### Revenue

Revenue increased from approximately RMB22.1 million in FY2023 to approximately RMB24.4 million in FY2024, an increase of approximately 10.5%. This increase was primarily attributable to a significant expansion in fiber processing service revenue, which grew from approximately RMB29,000 in FY2023 to approximately RMB2.6 million in FY2024, reflecting increased third-party processing mandates from related parties during the year. Revenue from goods sales remained broadly stable at approximately RMB21.8 million (FY2023: approximately RMB22.1 million), as the Target Group’s selling prices were already under downward pressure throughout FY2024. The decrease in revenue from FY2024 to FY2025 was mainly attributable to the decrease in goods revenue from RMB21.8 million in 2024 to RMB19.19 million in 2025, as selling prices were under downward pressure throughout FY2025.

The decrease in revenue from FY2024 to FY2025 was not primarily driven by a reduction in production volumes but rather reflected the magnitude of the pricing decline experienced across the industry. The Target Group's revenue base remained constrained by pricing dynamics rather than by any fundamental deterioration in its manufacturing capabilities or market position.

#### **Cost of sales and gross loss**

The Target Group's cost of sales principally comprises cost of inventories sold, direct labour costs, manufacturing overheads including utilities and depreciation of production equipment, and changes in inventories of work-in-progress and finished goods. Based on the information disclosed in the notes to the Historical Financial Information, the cost of inventories sold amounted to approximately RMB50.3 million, RMB51.5 million and RMB43.1 million for FY2023, FY2024 and FY2025, respectively, representing the principal component of cost of sales in each year.

Total cost of sales increased from approximately RMB50.9 million in FY2023 to approximately RMB59.8 million in FY2024, an increase of approximately RMB8.9 million or approximately 17.6%. This increase was primarily driven by a significant expansion in fiber processing service activities recognised in FY2024, which resulted in a higher volume of work-in-progress and finished goods processed during the year, absorbing a greater proportion of direct labour and manufacturing overhead into cost of sales. The cost of inventories sold increased modestly from approximately RMB50.3 million to approximately RMB51.5 million, reflecting the working up of higher-cost raw material inventory procured in prior periods when silicon tetrachloride and other chemical input costs were at elevated levels. In addition, an inventory write-down reversal of approximately RMB1.2 million was recognised in FY2024 as a credit within cost of sales, partially offsetting the increase; absent this reversal, the increase in cost of sales would have been approximately RMB10.1 million. Overall employee benefit expense decreased marginally from approximately RMB21.9 million in FY2023 to approximately RMB21.2 million in FY2024, and the portion attributable to cost of sales reflects the broadly stable headcount engaged in production activities during the year. The increase in FY2024 cost of sales thus occurred notwithstanding the modest reduction in overall staff costs, as the volume uplift from processing services and the elevated raw material cost base more than offset the marginal labour saving.

Cost of sales declined to approximately RMB53.9 million in FY2025, a decrease of approximately RMB5.90 million or approximately 9.9% from FY2024. The primary driver was a reduction in the cost of inventories sold from approximately RMB51.5 million to approximately RMB43.1 million, reflecting both lower production throughput managed in response to subdued revenue conditions and the benefit of procuring raw materials at lower prevailing market prices as silicon tetrachloride input costs eased during the period. Processing service volumes also moderated in FY2025, consistent with the contraction in processing service revenue from approximately RMB2.6 million in FY2024 to approximately RMB2.2 million in FY2025, and the

corresponding reduction in direct labour and overhead absorbed into cost of sales contributed to the overall cost decline. No inventory write-down or reversal was recognised in FY2025. Employee benefit expense decreased from approximately RMB21.2 million in FY2024 to approximately RMB17.6 million in FY2025, reflecting a reduction in headcount and wages commensurate with the lower production scale, and the portion thereof included within cost of sales contributed meaningfully to the overall cost reduction. These reductions were partially offset by the largely fixed nature of depreciation charges, with depreciation of property, plant and equipment of approximately RMB9.1 million (FY2024: approximately RMB10.0 million) and depreciation of right-of-use assets of approximately RMB0.6 million continuing to be absorbed into cost of sales regardless of throughput levels, which explains why cost of sales did not decline proportionately with the approximately 19.1% fall in revenue over the same period.

Given the capital-intensive nature of optical fiber preform manufacturing, the Target Group's cost base is characterised by significant fixed elements including depreciation of property, plant and equipment charged into cost of sales (approximately RMB8.6 million, RMB8.4 million and RMB7.6 million for FY2023, FY2024 and FY2025, respectively) and depreciation of right-of-use assets (approximately RMB0.6 million per annum throughout the Reporting Period). These fixed charges do not vary materially with short-term changes in throughput, meaning that periods of low selling prices generate disproportionately adverse gross loss impacts. As a result of the sustained pricing pressure and the inelastic fixed cost structure, the Target Group recorded gross losses of approximately RMB28.8 million, RMB35.4 million and RMB32.6 million in FY2023, FY2024 and FY2025, respectively. The gross loss margin (being gross loss as a percentage of revenue) widened from approximately 130.2% in FY2023 to approximately 145.0% in FY2024, further increased to approximately 152.6% in FY2025.

#### **Impairment loss on due from related parties**

The impairment loss on amounts due from related parties represents expected credit losses (“ECL”) recognised on balances receivable from related parties within the former SEI-Futong group. The single largest counterparty giving rise to these charges is Yinhu Optical Fiber (Jiaxing) Co., Ltd. (“**Jiaxing Yinhu**”), whose outstanding balance has been in default since 2018 and is classified as Stage 3 under the general approach of HKFRS 9, with a 100% lifetime ECL rate applied throughout the Reporting Period.

The impairment charge for FY2023 amounted to approximately RMB169.5 million, representing by far the most significant item in the Target Group's income statement for that year. This reflected the initial recognition of lifetime ECL across the full outstanding gross receivable balance from related parties of approximately RMB217.7 million as at 31 December 2023, against which a cumulative ECL allowance of approximately RMB169.5 million was recorded. The charge was primarily driven by the long-outstanding Jiaxing Yinhu balance of approximately RMB150.3 million that had been in default, on which a 100% ECL rate was applied. The weighted average ECL rate across all related party receivables as at 31 December

2023 was approximately 77.9%. Accordingly, the loss allowance movement for FY2023 represented an initial, one-off recognition of the full expected credit loss on this historically impaired receivable, rather than any deterioration in current operating conditions.

The impairment charge moderated substantially in FY2024, declining to approximately RMB0.7 million, reflecting marginal incremental movements in ECL rates on Stage 1 receivable balances following the bulk recognition in FY2023. A further charge of approximately RMB0.6 million was recorded in FY2025, bringing the cumulative loss allowance to approximately RMB170.8 million as at 31 December 2025 against a gross related party receivable balance of approximately RMB176.3 million. The Jiaxing Yinhu defaulted balance of approximately RMB105.3 million (FY2024: approximately RMB104.7 million; FY2023: approximately RMB150.3 million) continued to be provided for in full throughout the Reporting Period at a 100% lifetime ECL rate. The year-on-year decrease in the gross Jiaxing Yinhu balance from FY2023 to FY2024 reflects partial collections and settlements pursuant to the settlement arrangements entered into between Hangzhou Company and Jiaxing Yinhu, whilst the balance remained broadly stable from FY2024 to FY2025 at approximately RMB105 million.

The Directors emphasise that the impairment charges on amounts due from related parties are entirely non-cash in nature and do not represent any cash outflow from the Target Group's operations. These charges arose from the accounting recognition of ECL under HKFRS 9 on receivables that have been commercially disputed and in default for a prolonged period predating the Reporting Period, and do not reflect any deterioration in the Target Group's core manufacturing operations or any recurring cost of carrying on its business.

#### **Loss before income tax**

The Target Group recorded losses before income tax of approximately RMB208.2 million, RMB47.2 million and RMB43.8 million for FY2023, FY2024 and FY2025, respectively. The table below presents a bridge analysis of the movement in loss before income tax across the Reporting Period:

FY2023 to FY2024: The loss before income tax decreased significantly by approximately RMB161.0 million, from approximately RMB208.2 million to approximately RMB47.2 million. The principal driver of this improvement was the non-recurrence of the large impairment charge: the impairment loss on amounts due from related parties declined from approximately RMB169.5 million in FY2023 to approximately RMB0.7 million in FY2024, a year-on-year improvement of approximately RMB168.8 million. This was partially offset by a deterioration in the gross loss of approximately RMB6.6 million (gross loss widening from approximately RMB28.8 million to approximately RMB35.4 million), driven by higher cost of sales despite modestly higher revenue. Other operating items contributed as follows: administrative expenses declined marginally from approximately RMB9.8 million to approximately RMB9.4 million; other expenses decreased from approximately RMB0.3 million in FY2023 to an immaterial amount in FY2024, contributing a

further improvement of approximately RMB0.3 million; and finance costs increased from approximately RMB0.5 million to approximately RMB1.4 million, reflecting the increase of additional entrusted loan facilities from Tianjin Yinhu and Sumitomo Electric Investment (Shanghai) Co., Ltd. (住友電工投資(上海)有限公司). Other income and gains declined from approximately RMB1.3 million to approximately RMB0.3 million, a reduction of approximately RMB1.0 million, principally driven by a significant decrease in government grants received from approximately RMB1.1 million in FY2023 to approximately RMB0.1 million in FY2024.

FY2024 to FY2025: The loss before income tax decreased modestly by approximately RMB3.4 million, from approximately RMB47.2 million to approximately RMB43.8 million. The gross loss narrowed by approximately RMB2.8 million (from approximately RMB35.4 million to approximately RMB32.6 million), driven by lower cost of sales of approximately RMB53.9 million in FY2025 compared to approximately RMB59.8 million in FY2024, which more than offset the decline in revenue. Administrative expenses decreased from approximately RMB9.4 million to approximately RMB8.9 million, reflecting lower employee benefit costs. The impairment charge remained minimal at approximately RMB0.6 million (FY2024: approximately RMB0.7 million). These improvements were partially offset by a marginal increase in finance costs from approximately RMB1.4 million to approximately RMB1.5 million, and an increase in selling and distribution expenses from approximately RMB0.6 million to approximately RMB0.6 million, representing an absolute increase from approximately RMB563,000 to approximately RMB594,000. Other income and gains increased marginally from approximately RMB0.3 million in FY2024 to approximately RMB0.4 million in FY2025, principally reflecting higher bank interest income and modest recoveries from raw material sales.

#### **Net loss for the year**

The Target Group recorded net losses of approximately RMB216.5 million, RMB47.2 million and RMB43.8 million for FY2023, FY2024 and FY2025, respectively. The net loss in FY2023 included income tax expense of approximately RMB8.3 million, representing a deferred tax charge arising from the reversal of deferred tax assets recognised in previous years in FY2023. No income tax expense was recognised in FY2024 or FY2025, as the Target Group was not in a taxable profit position and no deferred tax assets were recognised in view of the uncertainty over future taxable profit generation. Accordingly, the net loss for FY2024 and FY2025 is equal to the respective loss before income tax in those years, whilst the FY2023 net loss of approximately RMB216.5 million exceeded the pre-tax loss of approximately RMB208.2 million by the deferred tax charge of approximately RMB8.3 million.

**CAPITAL EXPENDITURE**

The Target Group's capital expenditure during the Reporting Period related primarily to the procurement and installation of manufacturing equipment for optical fiber preform production and optical fiber drawing facilities, as well as maintenance and replacement capital expenditure on existing production assets. The Target Group's manufacturing operations are capital-intensive by nature, and the production assets represent the most significant component of its asset base. Capital expenditure during the Reporting Period was more limited in scale compared to earlier years when the production facilities were initially established, as the Target Group was operating within an environment of reduced revenue and prioritised the preservation of working capital.

**CAPITAL MANAGEMENT**

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Period.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Target Group includes, within net debt, trade payables, other payables and accruals, interest-bearing bank and other borrowings, and due to related parties, less cash and cash equivalents. The gearing ratios at the end of each of the reporting periods were as follows:

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,538	3,172	4,700
Other payables and accruals ( <i>Note 22</i> )	4,204	3,586	4,871
Interest-bearing bank and other borrowings	38,598	39,299	46,120
Due to related parties ( <i>Note 25</i> )	14,058	11,808	14,610
Less: Cash and cash equivalents ( <i>Note 20</i> )	<u>(157)</u>	<u>(22,360)</u>	<u>(243)</u>
Net debt	59,241	35,505	70,058
Total equity	<u>111,990</u>	<u>64,826</u>	<u>21,043</u>
Total equity and net debt	<u>171,231</u>	<u>100,331</u>	<u>91,101</u>
Gearing ratio	<u>34.60%</u>	<u>35.39%</u>	<u>76.90%</u>

#### THE EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The following table details the Target Group's exposure at the end of the reporting period to currency risk arising from monetary assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Monetary assets denominated in:</b>			
<b>– United States Dollar</b>			
Trade and other receivables	1,293	–	–
Cash and cash equivalents	<u>19</u>	<u>19</u>	<u>–</u>
Total	<u>1,312</u>	<u>19</u>	<u>–</u>

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Target Group's profit/loss before tax for the year/period (arising from USD denominated financial instruments):

	<b>Increase/ (decrease) in RMB rate</b>	<b>Increase/ (decrease) in profit/loss before tax</b>
<b>Year ended 31 December 2023</b>		
If RMB weakens against USD	5%	66
If RMB strengthens against USD	<u>(5%)</u>	<u>(66)</u>
<b>Year ended 31 December 2024</b>		
If RMB weakens against USD	5%	1
If RMB strengthens against USD	<u>(5%)</u>	<u>(1)</u>
<b>Year ended 31 December 2025</b>		
If RMB weakens against USD	5%	–
If RMB strengthens against USD	<u>(5%)</u>	<u>–</u>

#### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group's principal sources of liquidity during the Reporting Period comprised cash generated from operations, bank borrowings and financial support from related parties. As at 31 December 2025, the Target Group had net assets of approximately RMB21.0 million (FY2024: approximately RMB64.8 million; FY2023: approximately RMB112.0 million), reflecting the cumulative impact of net losses during the Reporting Period primarily attributable to impairment losses on amounts due from related parties and other non-cash impairment charges.

The Target Group managed its capital structure and made adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023, 31 December 2024 and 31 December 2025.

The Target Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt is calculated as lease liabilities less cash and cash equivalent. Total capital refers to total equity excluding the merger reserve. The Target Group's gearing ratio was approximately 34.6%, 35.4% and 76.9% as at 31 December of each of 2023, 2024 and 2025, respectively.

Total assets of the Target Group amounted to approximately RMB91.3 million, RMB122.7 million and RMB171.4 million as at 31 December 2025, 2024 and 2023, respectively, with the decrease over the Reporting Period principally reflecting the impairment of amounts due from related parties and the depreciation of property, plant and equipment. The Target Group's asset base is predominantly comprised of property, plant and equipment representing its manufacturing facilities and production equipment, together with working capital items including trade receivables, inventories and cash and cash equivalents.

The Target Group's cash and cash equivalents position fluctuated materially during the Reporting Period. As at 31 December 2023, cash and cash equivalents amounted to approximately RMB0.2 million, reflecting net cash used in operating activities of approximately RMB36.3 million, partially offset by net cash generated from financing activities of approximately RMB37.3 million principally from proceeds of bank and other borrowings. Cash and cash equivalents increased significantly to approximately RMB22.4 million as at 31 December 2024, primarily driven by net cash generated from operating activities of approximately RMB21.7 million, which in turn reflected substantial collections of amounts due from related parties of approximately RMB46.0 million during that year. Cash and cash equivalents declined to approximately RMB0.2 million as at 31 December 2025, as the Target Group recorded net cash used in operating activities of approximately RMB22.7 million, driven by the operating loss and a net outflow from working capital movements including an increase in amounts due from related parties of approximately RMB4.6 million, with no new bank borrowing proceeds received during FY2025 to offset the outflow.

The Target Group maintained bank and other borrowings at a fixed rate during the Reporting Period to support its working capital requirements and capital expenditure needs. These facilities are primarily denominated in Renminbi and provided by domestic PRC financial institutions and related parties of Hangzhou Company. The Directors consider the Target Group's level of financial leverage to be commensurate with the capital requirements of its manufacturing operations.

**Gearing ratio**

During the Reporting Period, the Target Group maintained bank and other borrowings in connection with its manufacturing operations. The gearing ratio of the Target Group, calculated as net debt divided by total equity plus net debt, deteriorated significantly across the Reporting Period as cumulative net losses eroded the equity base while borrowing levels increased. The gearing ratio was approximately 34.6% as at 31 December 2023, increasing to approximately 35.39% as at 31 December 2024, and further increasing to approximately 76.90% as at 31 December 2025. The significant increase in the gearing ratio in FY2025 primarily reflects the sharp reduction in total equity resulting from continued net losses rather than a material increase in absolute borrowing levels. The Directors consider the Target Group's capital structure to be appropriate given the capital-intensive nature of optical fiber preform manufacturing and the strategic significance of maintaining operational production facilities, and note that, following completion of the acquisition, the Company intends to provide financial support to the Target Group to strengthen its capital position.

**Net current liabilities and net asset position**

The Target Group's net current liabilities deteriorated by approximately RMB34.1 million over the year ended 31 December 2025, widening from a deficit of RMB4.0 million to RMB38.1 million. This deterioration was driven by a significant contraction in current assets, compounded by a concurrent rise in current liabilities.

On the current assets side, total current assets declined by RMB21.7 million (from RMB53.8 million to RMB32.2 million). The significant decrease in current assets were attributable to (i) the decrease on cash and cash equivalents which decreased sharply by RMB22.1 million, from RMB22.4 million to RMB0.2 million, reflecting the consumption of cash in operations and debt service during the year; and (ii) the decrease of the inventories which decreased by RMB3.7 million, from RMB29.8 million to RMB26.0 million, as the Target Group continued to moderate procurement activity in light of subdued demand and prevailing market overcapacity conditions.

On the current liabilities side, total current liabilities increased by RMB12.4 million in 2025 from RMB57.9 million to RMB70.3 million. Such increase was attributable to the increase of interest-bearing bank and other borrowings which rose by RMB6.8 million to RMB46.1 million, and all of which are classified as current given that the entrusted loans from related parties fall due for repayment within one year.

The net asset position of the Target Group deteriorated materially and consistently across the three-year reporting period, declining from approximately RMB112.0 million as at 31 December 2023 to approximately RMB64.8 million as at 31 December 2024, and further to

approximately RMB21.0 million as at 31 December 2025 – representing a cumulative erosion of approximately RMB91.0 million, or approximately 81.3%, over the period. The contraction was driven entirely by the accumulation of losses.

Net assets declined by a further RMB43.8 million in FY2025 to RMB21.0 million, as the Target Group recorded a net loss of approximately RMB43.8 million – broadly consistent in magnitude with the FY2024 loss but increasingly significant in the context of a diminished equity base. The total asset base contracted further to RMB91.3 million, driven primarily by ongoing depreciation of property, plant and equipment (accumulated depreciation increasing by approximately RMB20.0 million from RMB280.0 million to RMB300.0 million during the year, with no significant disposals) and a sharp increase in net current liabilities as explained above.

### **Working capital**

The Target Group recorded net current liabilities of approximately RMB4.0 million and approximately RMB38.1 million as at 31 December 2024 and 31 December 2025 respectively, compared to net current assets of approximately RMB32.7 million as at 31 December 2023. The deterioration in the net current liability position was primarily driven by the classification of other borrowings, being entrusted loans from related parties, as current liabilities given their repayment terms falling due within one year, amounting to approximately RMB39.3 million and RMB46.1 million as at 31 December 2024 and 2025 respectively. The rapid erosion of current assets, in particular the decline in cash and cash equivalents to approximately RMB0.2 million as at 31 December 2025, further contributed to the deterioration in the working capital position.

The Target Group had a working capital management policy focused on maintaining adequate liquidity to support its ongoing operations while optimising the utilisation of available credit facilities.

### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

The Target Group did not make any significant investments, acquisitions and disposals in securities or other financial instruments outside the ordinary course of business during the Reporting Period and up to the Latest Practicable Date.

### **CHARGES ON ASSETS**

The Target Group did not have any other material charges on its assets during the Reporting Period.

### **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Target Group has no future plan for material investments or capital assets as at 31 December 2025.

**CONTINGENT LIABILITIES**

As at 31 December 2023, 2024 and 2025, the Target Group did not have any material contingent liabilities. The Directors are not aware of any material contingent liabilities that arose between 31 December 2025 and the Latest Practicable Date.

**FOREIGN EXCHANGE RISK**

The Target Group's operations are primarily conducted in the PRC and its revenue, cost of sales and operating expenses are principally denominated in Renminbi. The Target Group does not have material foreign currency-denominated monetary assets or liabilities and accordingly its exposure to foreign currency risk is limited. Exchange differences arising on translation of the Renminbi-denominated financial statements of the Target Group's PRC subsidiary into the presentation currency are recognised in other comprehensive income.

During the Reporting Period, the Target Group did not enter into any foreign currency hedging instruments. The Directors consider the Target Group's foreign exchange risk to be manageable given the predominantly domestic PRC nature of its operations, and do not consider it necessary to implement formal hedging arrangements at the current stage of development.

**EMPLOYEES AND REMUNERATION POLICY**

The Target Group's workforce comprises production staff engaged in optical fiber preform manufacturing and optical fiber drawing operations, as well as sales, technical and administrative personnel. The Target Group's headcount is commensurate with its production scale and has been managed prudently during the Reporting Period in light of the challenging market environment.

The remuneration policy of the Target Group is determined with reference to individual performance, qualifications, experience and responsibilities, as well as prevailing market conditions in the PRC manufacturing sector. Staff compensation comprises base salaries, performance-based bonuses and statutory contributions to PRC social insurance and housing provident funds. The Directors consider the Target Group's remuneration structure to be competitive and appropriate for attracting and retaining qualified manufacturing and technical personnel.

Set out below are the total number employees of the Target Group as at 31 December 2023, 2024 and 2025, respectively:

	<b>At 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Number of employees:	<u>177</u>	<u>174</u>	<u>170</u>

During the three years ended 31 December 2025, the total employee benefit expense (including directors' remuneration) amounted to approximately RMB21.9 million, RMB21.2 million and RMB17.6 million respectively.

Employees' salaries consist of basic salary, functional salary, overtime pay, bonuses and various allowances. The Target Group determines employees' salaries based on the nature of their positions, scope of responsibilities and individual performance. If an employee attends work on time, fulfills his/her job duties, completes work tasks, and follows the instructions of supervisors or other superiors, the Target Group will grant a certain amount of bonus to the employee each year based on the Target Group's performance for that year. Whether a bonus is granted and the specific amount of the bonus shall be determined by the General Manager. During the three years ended 31 December 2025, total amount of bonus granted to employees of the Target Group amounted to approximately RMB1.40 million, RMB1.28 million and RMB1.22 million respectively.

As at 31 December 2023, 2024 and 2025, the Target Group did not have any share option scheme, share award scheme or other share based payment arrangements. The Target Group regularly provides job related training, safety training and management skills enhancement courses to its employees in order to strengthen their professional capabilities and improve production efficiency.

The Target Group's training includes induction training, pre-job training, on-the-job training and transfer training. Through training, employees are enabled to meet and maintain the requirements of standardized service in their respective positions. Induction training is the training conducted when new employees join the company. Pre-job training refers to the job training provided from the time an employee assumes a post until the end of the probation period. On-the-job training for existing employees is implemented by each department in accordance with the annual training plan. Transfer training is the training for employees who leave their original positions and move to new positions. When a personnel transfer occurs, the department to which the employee is transferred shall conduct the transfer training within two months.

#### **FUTURE PLANS AND PROSPECTS**

The Directors believe that the Target Group is well positioned to benefit from the structural improvement in the optical fiber and preform market that has been underway since the end of 2025. Following a prolonged period of depressed prices driven by industry overcapacity, the market has entered a new cycle characterised by strong concurrent demand from AI data center infrastructure, drone and military applications, and the continuing telecommunications baseline, against a backdrop of constrained upstream preform capacity with typical expansion lead times of 1.5 to 2 years. As the only entity within the Target Group with 100% preform self-sufficiency in its production process, the Target Group is positioned to capture significant operating leverage from the pricing upcycle.

Upon the Completion, the Target Group's operations will be integrated into the Enlarged Group's strategic framework. The Directors intend to leverage the Target Group's PRC manufacturing base and established customer relationships to pursue the following strategic priorities:

- Export: Utilising the Target Group's optical fiber output to supply the Group's existing international markets in ASEAN and Hong Kong, reducing reliance on third-party procurement and improving margin resilience;
- Domestic direct sales: Targeting new PRC end-user customers, in particular data center operators and AI computing infrastructure providers, which have emerged as major consumers of high-quality optical fiber products; and
- Collaborative bidding: Continuing the Target Group's established practice of partnering with Futong China to bid for procurement projects from major PRC telecommunications operators, pursuant to the Master Sale Agreement.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL**

The authorised and issue share capital of the Company as at the Latest Practicable Date and Shares to be issued upon the Completion were and will be as follows:

	<b>Number of Shares</b>	<b>Nominal value HK\$</b>
<b>Authorised:</b>		
As at the Latest Practicable Date	<u>1,000,000,000</u>	<u>10,000,000</u>
<b>Issued and fully paid:</b>		
As at the Latest Practicable Date	298,976,000	2,989,760
Consideration Shares to be issued	<u>48,367,000</u>	<u>483,670</u>
Upon the Completion	<u>347,343,000</u>	<u>3,473,430</u>

As at the Latest Practicable Date, the Company did not hold any treasury shares.

**3. DISCLOSURE OF INTERESTS**

**(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any of its associated corporations**

As at the Latest Practicable Date, none of the Directors or the chief executive of our Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV

of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

**(b) Substantial Shareholders' interests and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, save as disclosed in this circular, so far as was known to the Directors, persons other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

***Long Position in the Shares and underlying Shares***

<b>Name of shareholder</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding in the Company</b>
Mr. Wang Jianyi ( <i>Note 1</i> )	Interest of a controlled Corporation	195,000,000	65.22%
杭州富通投資有限公司 (Hangzhou Futong Investments Co., Ltd.)* ( <b>"Futong Investments"</b> ) ( <i>Note 2</i> )	Interest of a controlled Corporation	195,000,000	65.22%
Futong China ( <i>Note 3</i> )	Interest of a controlled Corporation	195,000,000	65.22%
杭州富通光通信投資有限公司 (Hangzhou Futong Optical Communication Investments Co., Ltd.)* ( <b>"Futong Optical Communication"</b> ) ( <i>Note 4</i> )	Interest of a controlled Corporation	195,000,000	65.22%
Hong Kong Futong Optical Fiber Company Limited * ( <b>"Futong HK"</b> )	Beneficial owner	195,000,000	65.22%

*Notes:*

1. Our Company is directly owned as to 65.22% by Futong HK. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. Futong China is owned as to 80% by Futong Investments. As Futong Investments is owned as to 100% by Mr. Wang, Mr. Wang is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.
2. Our Company is directly owned as to 65.22% by Futong HK. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. As Futong China is owned as to 80% by Futong Investments, Futong Investments is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.
3. Our Company is directly owned as to 65.22% by Futong HK. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. Therefore, Futong China is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.
4. Our Company is directly owned as to 65.22% by Futong HK. By virtue of Futong Optical Communication's 100% shareholding in Futong HK, Futong Optical Communication is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies who had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. None of the substantial shareholders have pledged all or part of their interest in the Company's Shares for the year ended 31 December 2025.

**4. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2025, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**5. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors was materially interested, whether directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

**6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

**7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**8. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

**9. QUALIFICATION AND CONSENT OF EXPERT****(a) Qualification of expert**

The following is the qualification of the expert who has given opinion or advice, which is included in this circular:

<b>Name</b>	<b>Qualification</b>
Moore CPA Limited	Certified Public Accountants
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

**(b) Consent of expert**

Each of the experts mentioned above has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its letters, reports and/or references to its name in the form and context in which they appear.

(c) **Interests of expert**

As at the Latest Practicable Date, each of the experts mentioned above did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts mentioned above did not have any direct or indirect interest in any assets which have been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

**10. MATERIAL CONTRACTS**

The following contracts (being contracts entered into outside the ordinary course of business carried by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

- (a) the Acquisition Agreement;
- (b) the Amendment Deed;
- (c) the Master Sale Agreement; and
- (d) the placing agreement dated 17 December 2025 in relation to the conditional agreement by the Company to place up to 52,000,000 Shares at the price of HK\$0.476 per Share to not less than six places pursuant thereto (the “**Placing Agreement**”).

**11. GENERAL**

**Registered office:** Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

**Principal place of business in  
Hong Kong:** No. 3 Dai Kwai Street  
Tai Po Industrial Estate  
Tai Po  
New Territories  
Hong Kong

<b>Hong Kong branch share registrar and transfer office:</b>	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong
<b>Authorised representatives:</b>	Mr. Zou Liming Mr. Ho Cheuk Wai
<b>Company secretary:</b>	Mr. Ho Cheuk Wai (an associate of the Hong Kong Society of Accountants, an associate of the Association of Chartered Certified Accountants of the United Kingdom and a fellow of the Association of Chartered Certified Accountants of the United Kingdom)

## **12. MISCELLANEOUS**

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

## **13. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.transtechoptel.com](http://www.transtechoptel.com)) for a period of 14 days from the date of this circular:

- 1) the Acquisition Agreement;
- 2) the Amendment Deed;
- 3) the Master Sale Agreement;
- 4) the Placing Agreement;
- 5) letter from the Independent Financial Adviser, the text of which is set out on pages 60 to 146 to this circular;
- 6) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 58 to 59 to this circular;

- 7) the accountants' report of the Target Group issued by Moore CPA Limited as set out in Appendix II to this circular;
- 8) the report on the unaudited pro forma financial information of the Enlarged Group issued by Moore CPA Limited as set out in Appendix III to this circular;
- 9) a statement of adjustment on the historical financial information of the Target Group; and
- 10) the written consent referred to in the section headed "Qualification and Consent of Expert" of this appendix.

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## NOTICE OF EGM

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### TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED

高科橋光導科技股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9963)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Transtech Optelecom Science Holdings Limited (the “**Company**”) will be held at Picasso Room B, InterContinental Grand Stanford Hong Kong, 70 Mody Road, East Tsim Sha Tsui, Kowloon, Hong Kong on 16 July 2026 (Thursday) at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as the ordinary resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 26 June 2026):

#### ORDINARY RESOLUTIONS

1. To consider and approve, if thought fit, the following resolutions:
  - (a) the Amendment Deed entered into between Futong China and the Company on 13 April 2026 to amend the Original Deed of Non-competition (a copy of which is tabled at the EGM marked “A” and initialled by the Chairman of the EGM for the purpose of identification) and the proposed amendments to the Original Deed of Non-competition thereunder be and is hereby approved, confirmed and ratified; and
  - (b) any one director of the Company be and is hereby authorized to do all such things and acts as he/she may in his/her discretion considers as necessary, expedient or desirable for the purpose of or in connection with this resolution, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to this resolution.

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## NOTICE OF EGM

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2. To consider and approve, if thought fit, the following resolutions:
- (a) the Acquisition Agreement entered into between the Buyer and the Seller on 13 April 2026 (a copy of which is tabled at the EGM marked “B” and initialled by the Chairman of the EGM for the purpose of identification) and the proposed Acquisition contemplated thereunder which constitutes a major and connected transaction under the Listing Rules, be and is hereby approved, confirmed and ratified;
  - (b) conditional upon the Listing Committee of the Hong Kong Stock Exchange granting the approval of the listing of, and permission to deal in, the Consideration Shares to be issued by the Company pursuant to the Acquisition Agreement, the Directors be and are hereby granted the Specific Mandate to exercise the power of the Company to allot and issue the Consideration Shares pursuant to the terms and conditions of the Acquisition Agreement;
  - (c) the Master Sale Agreement entered into between Hangzhou Company and Futong China on 13 April 2026 (a copy of which is tabled at the EGM marked “C” and initialled by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and is hereby approved, confirmed and ratified;
  - (d) the proposed annual caps for the three years ending 31 December 2028 in relation to the transactions contemplated under the Master Sale Agreement be and are hereby approved; and
  - (e) any one director of the Company be and is hereby authorized to do all such things and acts as he/she may in his/her discretion considers as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Acquisition Agreement and the Master Sale Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Acquisition Agreement and the Master Sale Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2028).

By order of the Board  
**Transtech Optelecom Science Holdings Limited**  
**He Xingfu**  
*Chairman and Executive Director*

Hong Kong, 26 June 2026

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## NOTICE OF EGM

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*Notes:*

- A. In order to be eligible to attend and vote at the above meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 15 July 2026. The record date for the purpose of determining the eligibility of the Shareholders to attend and vote at the EGM will be 16 July 2026.
- B. Any shareholder of the Company entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not be a shareholder of the Company.
- C. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).
- D. Completion and delivery of a form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the extraordinary general meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- E. Where there are joint holders of any Shares, any one of such joint holder may vote at the extraordinary general meeting, either in person or by proxy in respect of such Shares as if he/she was solely entitled hereto; but if more than one of such joint holders is present at the extraordinary general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such Shares shall alone be entitled to vote in respect thereof.
- F. A form of proxy for use at the extraordinary general meeting is attached herewith.
- G. Any voting at the extraordinary general meeting shall be taken by poll.
- H. The form of proxy shall be signed by a shareholder of the Company or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised.