KANEX PRO, INC.
3753 Howard Hughes Parkway, Suite 200-80 · Las Vegas, NV 89169

August 10, 2026

BY EMAIL TO: daniel@ptn-electronics.com

The Directors
Attention: Daniel
SHENZHEN PTN ELECTRONICS LIMITED
9F, Building 1-1, Hongxing Chuangzhi Park
Guangming District, Shenzhen City 518132
People's Republic of China

Copy: China Export & Credit Insurance Corporation (SINOSURE), Shenzhen Branch — as assignee under the Collection Trust Deed
Copy: Creditors Adjustment Bureau, Sherman Oaks, California

RE: TERMINATION OF TRADING RELATIONSHIP — DEMAND FOR CREDIT AND RETURN OF GOODS
Total demanded: US$190,523.29
Response required by September 9, 2026

Dear Sirs,

Shenzhen PTN Electronics Limited has placed Kanex Pro, Inc. into collection with Creditors Adjustment Bureau in California, and has assigned its collection rights to China Export & Credit Insurance Corporation. By doing so PTN has brought the trading relationship between our companies to an end.

Kanex Pro has today delivered a separate written dispute to Creditors Adjustment Bureau contesting the sum claimed in its entirety. This letter addresses a different matter, and one that only PTN can resolve: the orderly unwinding of the relationship PTN has chosen to terminate. A collection agency cannot authorize a return, issue a credit note, or take delivery of goods in Shenzhen. PTN can.

Kanex Pro requires credit in the total sum of US$190,523.29, calculated below at PTN's own invoiced unit prices.

1. 171 units of defective product in PTN's possession — US$17,955.00

Under RMA reference PR24US-APO060401, Kanex Pro shipped defective product to PTN by FedEx on December 10, 2024. On January 16, 2025 Ms. Helen Liu confirmed in writing that PTN had completed a two-week inspection, verified the serial numbers and received 171 pieces, attaching PTN's own itemized list. That confirmation was repeated on February 6, 2025. Neither the quantity nor the condition of those goods is in dispute — PTN established both, from its own inspection.

Nineteen months later PTN has issued no credit. Kanex Pro does not seek repair; the goods are stale and the customers who reported the faults were made whole at Kanex Pro's expense long ago. **Full credit is required: 83 × EXT-HDBTKVM3T and 88 × EXT-HDBTKVM3R at US$105.00, being US$17,955.00.**

2. Defective returns held by Kanex Pro — US$22,505.49

Kanex Pro holds 255 units of defective PTN-manufactured product across 39 line items, awaiting PTN's return authorization. PTN has not processed them. Kanex Pro requires RMA authorization within fourteen days and full credit in the sum of US$22,505.49.

3. Unsold inventory returnable on termination — US$87,218.31

Kanex Pro holds 811 units of PTN product on hand across 60 line items. That stock is unsaleable, and it is unsaleable as a direct consequence of the failure rates set out in section 5. Kanex Pro cannot in conscience place further units of this product with its customers, and will not be left holding dead stock manufactured by a supplier that has placed it into collection.

The entire 811 units are available for immediate return against full credit of US$87,218.31. PTN is to nominate a consignee and to bear all freight, export and clearance costs. Kanex Pro will not fund the return of goods it is being compelled to hold.

Kanex Pro holds a line-item schedule of the goods in sections 2 and 3, by part number, quantity and PTN invoiced unit price. It will be provided on PTN confirming that it will issue credit and arrange collection. Kanex Pro does not propose to itemise goods PTN has not yet agreed to take back.

4. Warranty reserve on units in the field — US$62,844.49

Of the 2,855 units of PTN product evidenced by Kanex Pro's goods receipts, 811 remain in stock and 255 are held as defective returns. The balance — 1,789 units, US$314,222.45 at PTN's invoiced prices — has been sold to customers and is in service.

Of the units received, 426 are already documented as defective: the 171 PTN holds and the 255 Kanex Pro holds. That is an observed failure rate of 14.9% on goods that have not yet run their warranty period. While the relationship subsisted that exposure was manageable, because defective units went back to PTN. On termination it transfers wholly to Kanex Pro, which remains the warrantor of record to its customers while losing all recourse to the manufacturer whose product failed.

Kanex Pro therefore asserts a warranty reserve of 20% against the installed base — US$62,844.49 — reflecting failures already observed together with those that will arise before the warranty period expires. This is not a request for a commercial discount. It is the difference between the value the goods would have had as warranted and their value as accepted, and Kanex Pro reserves the right to revise it upward as further failures are recorded.

5. The failure record

Kanex Pro's records show 266 discrete return events across 29 PTN part numbers between December 2019 and June 2026. On several parts the return volume equals or exceeds the sales volume:

Part number	Return events	Sold, 12 mo	Ratio
EXT-HDBT70MRX	17	6	2.8x
EXT-HDBT70M	14	7	2.0x
SW-4X1SL18G	12	7	1.7x
EXT-HD100MHBT	13	8	1.6x
HDEXT50M	103	360	29%

The 171-unit batch was returned under a single authorization with documented faults including no power, intermittent failure, absent HDCP handshake, loose components inside sealed enclosures and broken connector pins. A product returning more often than it sells does not have an incidental defect rate.

6. Summary of the demand

	Units	Amount (USD)
1. Units held by PTN since December 2024	171	$17,955.00
2. Defective returns awaiting authorization	255	$22,505.49
3. Unsold inventory returnable on termination	811	$87,218.31
4. Warranty reserve, 20% of installed base	1,789	$62,844.49
TOTAL		**$190,523.29**

For completeness: the sum demanded by Creditors Adjustment Bureau is US$152,800.00, while the Collection Trust Deed executed on SINOSURE letterhead authorizes collection of US$103,200.00 — a difference of US$49,600.00 that no party has explained. Kanex Pro disputes both figures. On either of them, the credits set out above exceed the amount claimed.

To be clear, and so that no party is misled: the amounts demanded in this letter are the same amounts asserted by way of setoff and recoupment in Kanex Pro's dispute with Creditors Adjustment Bureau. Kanex Pro seeks credit once, not twice.

7. Legal basis

Kanex Pro does not presently know whether PTN contends that these sales are governed by the United Nations Convention on Contracts for the International Sale of Goods or by the law of the State of California. The point does not assist PTN, because the outcome is materially the same under either.

Under the CISG — to which both the People's Republic of China and the United States are contracting states, and which therefore applies of its own force unless the parties have excluded it — Article 35 requires goods to be of the quality required by the contract; Article 36 makes the seller liable for a lack of conformity existing when risk passed, even if it becomes apparent later; Article 39 requires the buyer to give notice within a reasonable time, which Kanex Pro did by the RMA process PTN itself acknowledged; **Article 50 entitles the buyer to reduce the price in the same proportion as the value of the goods delivered bears to the value conforming goods would have had**; and Article 74 allows recovery of loss, including loss of profit, foreseeable at the time of contracting.

Under California law the analysis runs in parallel: Commercial Code section 2607, subdivision (c)(1) (notice of non-conformity — given); section 2714, subdivision (b) (damages measured as the difference between the value of the goods as warranted and as accepted); and section 2717 (deduction of damages from the price on notification, this letter being that notification). Kanex Pro further holds a security interest under section 2711, subdivision (c), in the defective goods in its possession, for payments made and expenses reasonably incurred.

If PTN contends that some other law or forum governs, it should identify it in its response, together with the contractual provision it relies upon.

8. What Kanex Pro proposes

Kanex Pro would prefer to close this matter commercially rather than through third parties, and remains willing to do so. It proposes:

- PTN issues credit notes for items 1 and 2 within fourteen days, those goods being defective and their receipt already acknowledged.
- PTN nominates a consignee and arranges collection of the 811 units in item 3, at PTN's cost, against credit on despatch.

- The parties agree the treatment of item 4, on the basis of the failure data each holds.
- PTN confirms in writing that it indemnifies Kanex Pro against third-party claims arising from the condition or performance of its product, and against the cost of defending them.
- On settlement, the collection placement is withdrawn and the parties exchange full mutual releases.

9. Consequences of non-response, and reservation of rights

This letter is written without waiver of any right, claim, defense, offset or counterclaim available to Kanex Pro, Inc., all of which are expressly reserved. Nothing in it is an acknowledgment of any debt, a promise to pay, or a waiver of any limitation period.

Kanex Pro expressly reserves the right to bring affirmative claims for breach of contract, breach of warranty and consequential loss arising from the condition and performance of PTN-manufactured product. Those claims include, without limitation: the cost of warranty administration, testing, freight and replacement product supplied to Kanex Pro's customers at its own expense; **injury to Kanex Pro's goodwill, business reputation and standing with its customers and channel partners, and the loss of business consequent upon it**; and any claim, demand or proceeding brought against Kanex Pro by any end user, integrator, reseller or channel partner arising out of the condition or performance of PTN product. Kanex Pro reserves the right to assert those claims by way of counterclaim in any proceeding commenced against it.

Kanex Pro looks to PTN to indemnify it and hold it harmless against any such third-party claim, and against the costs of defending it. That is the ordinary allocation of risk between a manufacturer and the distributor that sells its product into the market, and it does not fall away because PTN has chosen to place Kanex Pro into collection. PTN is asked to confirm that indemnity in writing in its response.

If PTN does not respond by September 9, 2026, Kanex Pro will proceed as follows. It will treat PTN as having declined to collect the 811 units held on its behalf, and storage charges will accrue on those goods from that date at commercial rates, for PTN's account. It will exercise its rights in respect of the defective goods in its possession, including the right of resale. And it will take such steps as it considers necessary to establish and recover the sums set out in this letter, including the commencement of proceedings for breach of contract and breach of warranty, and the assertion of those claims by way of counterclaim in any proceeding brought against it by PTN, by China Export & Credit Insurance Corporation, or by any party claiming through either of them.

Kanex Pro would much prefer not to do any of that. It has bought from PTN for years, paid promptly, and wired US$24,800.00 as recently as June 2026. What it will not do is absorb the cost of a supplier's defect rate and then pay in full for the privilege.

Please respond in writing by September 9, 2026, by email to legal@email.kanexpro.com.
Correspondence sent to any other address may not be treated as received.

Yours faithfully,

Kelvin Yan
President
Kanex Pro, Inc.
legal@email.kanexpro.com

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