瓏盛資本有限公司
Draco Capital Limited

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30 June 2025

To the Independent Board Committee and the Independent Shareholders of
Inspur Digital Enterprise Technology Limited

Dear Sir or Madam,

(I) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT (II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTRY INTO OF THE FRAMEWORK AGREEMENT FOR THE RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION AND REVISION OF THE ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Framework Agreement and the 2025 Framework Financial Services Agreement and the respectively proposed annual caps, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 30 June 2025 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 27 December 2024 in relation to, amongst other things, the entry into of the Framework Agreement and the 2025 Framework Financial Services Agreement.

LISTING RULES IMPLICATIONS

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules.

As at the Latest Practicable Date, 20% of share equity of Inspur Finance is directly held by the Company and 60% of the share equity is directly held by IPG, the remaining 20% share equity is held by Inspur Software Co., Ltd.* (浪潮軟件股份有限公司).

The Framework Agreement

The Framework Agreement and the transactions contemplated thereunder (i.e. the Purchase Transactions, the Common Services Transactions, the Lease Transactions, the Supply Transactions and the Selling Agency Transactions, together with the respectively proposed annual caps) will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the revised annual caps of each of the Common Services Transactions and the Lease Transactions are more than 0.1% but less than 5%, the Common Services Transactions and the Lease Transactions contemplated under the Framework Agreement are subject to the reporting, announcement and annual review requirement, but exempt from the circular, independent financial advice and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As one or more of the applicable percentage ratios under the Rule 14.07 of the Listing Rules in respect of the revised annual caps of each of the Purchase Transactions, the Supply Transactions and the Selling Agency Transactions are more than 5%, the Purchase Transactions, the Supply Transactions and the Selling Agency Transactions contemplated under the Framework Agreement are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the revision of the existing annual cap of the Common Services Transactions for the year ended 31 December 2024 are more than 0.1% but less than 5%, the revision of the existing annual cap of the Common Services Transactions for the year ended 31 December 2024 are subject to the reporting, announcement and annual review requirement, but except from the circular, independent financial advice and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2).

The 2025 Framework Financial Services Agreement

The 2025 Framework Financial Services Agreement and the transactions contemplated thereunder, together with the respectively proposed annual caps will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest of the annual caps under the Deposit Services under the 2025 Framework Financial Services Agreement exceed 25% but all are less than 75%, and the highest of the annual caps under the Deposit Services is more than HK$10,000,000, the Deposit Services (including its proposed annual caps) (i) constitutes major transaction and continuing connected transactions for the Company and are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules; and (ii) constitutes major transaction for the Company and is subject to the reporting, announcement, circular and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

The transactions under the Loan Facility Services will constitute financial assistance to be received by the Group from a connected person. As the Loan Facility Services is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the transactions under the Loan Facility Services is fully exempted from the Independent Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest of the annual caps under the first sub-category of the Other Financial Services under the 2025 Framework Financial Services Agreement exceed 25% but all are less than 75%, and the highest of the annual caps under the first sub-category of the Other Financial Services is more than HK$10,000,000, the Other Financial Services (including its proposed annual caps) (i) constitutes major transaction and continuing connected transactions for the Company and are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules; and (ii) constitutes major transaction for the Company and is subject to the reporting, announcement, circular and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the highest of the annual caps under the second sub-category of the Other Financial Services under the 2025 Framework Financial Services Agreement exceed 5%, the second sub-category of the Other Financial Services (including its proposed annual caps) constitutes continuing connected transactions for the Company and are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, consisting of Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (i.e. the Purchase Transactions, the Supply Transactions and the Selling Agency Transactions, together with the respectively proposed annual caps); and the 2025 Framework Financial Services Agreement (together with the proposed annual caps). Pursuant to Rule 13.39(6) of the Listing Rules, we, Draco Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement and the 2025 Framework Financial Services Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps).

OUR INDEPENDENCE

During the past two years immediately preceding the IFA Obligation Commencement Time (as defined under Rule 13.84 of the Listing Rule), there was no engagement between the Company or the IPG and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the IPG or any of its subsidiaries or their respective associates, and any parties acting in concert with them. As at the Latest Practicable Date, there were no relationships or interests between (a) the Group, the IPG and their respective subsidiaries and associates; and (b) us that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the EGM. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the EGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Framework Agreement and the 2025 Framework Financial Services Agreement and pursuant to Rule 13.80(2), we have obtained and reviewed the relevant information in relation to the Framework Agreement and the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder, among others, (i) the Framework Agreement; (ii) the 2025 Framework Financial Services Agreement; (iii) the annual report for the year ended 31 December 2023 of the

Company; (iv) the interim report for the six months ended 30 June 2024 of the Company; (v) the annual report for the year ended 31 December 2024 of the Company; (vi) the recent announcements of the Company during the period from 1 January 2023 to the date of the Framework Agreement and the 2025 Framework Financial Services Agreement; and (vii) the information set out in the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Framework Agreement and the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder (including the respectively proposed 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 purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 BACKGROUND INFORMATION OF THE PARTIES TO THE FRAMEWORK AGREEMENT AND THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT

1.1 INFORMATION OF THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the main board of the Stock Exchange (Stock Code: 596). The principal activities of the Group are software development and provision of cloud service and IoT solution. The Company continues to accelerate its transformation into an enterprise cloud service provider, leveraging its leading edge in cloud computing, big data, artificial intelligence and other full-stack technologies and innovative mechanisms to establish a platform-based mindset, take a platform-based product path, drive valuable growth with cloud ERP as its core, and help build intelligent enterprises.

1.2 FINANCIAL PERFORMANCE ON THE GROUP

FY2024 vs FY2023

With reference to the annual report of the Company for the year ended 31 December 2024 ("**FY2024**"), the Group recorded a revenue of RMB8,200,805,000 (2023: RMB8,294,446,000), representing a decrease of 1.1% as compared with the year ended 31 December 2023 ("**FY2023**"). Revenue from cloud services amounted to RMB2,761,458,000 (FY2023: RMB2,000,073,000), representing an increase of 38.1% as compared with FY2023. During FY2024, revenue from cloud services accounted for 51.9% of the Group's revenue from software and cloud services, which has become a new growth driver for the Group's revenue. Revenue from management software for FY2024 was RMB2,556,116,000 (FY2023: RMB2,465,326,000), representing an increase of 3.7% as compared with FY2023. Revenue from Internet of Things (IoT) solutions was RMB2,883,231,000 (FY2023: RMB3,829,047,000), representing an decrease of 24.7% as compared with FY2023.

For FY2024, gross profit from operating activities amounted to RMB2,208,419,000 (FY2023: RMB1,917,802,000), representing an increase of 15.2% as compared FY2023. The overall gross profit margin was 26.9% (FY2023: 23.1%), representing an increase of 3.8 percentage points as compared with FY2023. The increase in gross profit margin was attributable to the significant increase in revenue from cloud services, which had a relatively high gross profit margin.

For FY2024, the Company recorded a profit before tax of RMB480,391,000 (FY2023: RMB278,664,000), representing a significant increase as compared with FY2023, mainly due to the following factors: (1) The revenue of the company's cloud service business maintained rapid growth, and it achieved profit during the reporting period. The operating profit of the cloud service business segment was RMB 132,519,000 (FY2023: loss of RMB 56,201,000), an increase of 335.8% over the same period of last year; (2) Despite the fierce market competition, the operating profit of the management software division increased to RMB 430,948,000 during FY2024 (FY2023: RMB 377,781,000), representing an increase of 14.1% over FY2023; (3) The operating profit of the Internet of Things and Solutions revenue segment increased to RMB95,957,000 (FY2023: RMB55,023,000), representing an increase of 74.4% over FY2023.

For FY2024, profit attributable to owners of the Company amounted to RMB384,705,000 (FY2023: RMB201,630,000), representing a substantial increase in profit attributable to owners of the Company as compared with FY2023, which was mainly due to the substantial increase in operating profit of the management software business segment as compared with FY2023.

As at 31 December 2024, equity attributable to owners of the Company was RMB2,512,231,000 (31 December 2023: RMB2,047,564,000). Current assets amounted to RMB6,349,181,000, mainly including trade and bills receivables of RMB3,141,322,000, and bank deposits and cash balances of RMB908,405,000, which were mainly RMB deposits. Current liabilities amounted to RMB5,283,199,000, comprising mainly trade and bills payables, other payables and accrued expenses. The Group's current assets were approximately 1.20 times (31 December 2023: 1.17 times) of current liabilities. The gearing ratio, being the Group's total debts divided by its total equity, was 2.1 as at 31 December 2024 (31 December 2023: 2.0).

Interim 2024 vs Interim 2023

With reference to the interim report of the Company for the six months ended 30 June 2024 ("**Interim 2024**"), the Group recorded a turnover of RMB4,141,171,000 for Interim 2024, representing an increase of 1.09% compared with the six months ended 30 June 2023 ("**Interim 2023**") (Interim 2023: RMB4,096,650,000) and a turnover of RMB2,182,093,000 for the software and cloud services business, representing an increase of 18.63% as compared with Interim 2023 (Interim 2023: RMB1,839,488,000). For Interim 2024, revenue from the cloud services business amounted to RMB980,201,000, representing an increase of 36.01% as compared with Interim 2023 (Interim 2023: RMB720,677,000), and revenue from cloud services business accounted for 44.92% of the Group's turnover for the software and cloud services business and was the driving force behind the Company's revenue growth. This growth was mainly attributable to the continued enhancement of the Group's enterprise cloud offerings, including the launch of Inspur Haiyue GS Cloud and the iGIX7.0 PaaS platform. These platforms integrated advanced technologies such as big models, knowledge maps, machine vision, and voice recognition (BiGRU), enabling enterprises to enhance their automation and intelligent operations. For Interim 2024, revenue from the management software business amounted to RMB1,201,892,000, representing an increase of 7.43% compared with Interim 2023 (Interim 2023: RMB1,118,811,000). The increase was primarily due to the Group's ability to leverage its product strengths in intelligent state-owned asset management, manufacturing, treasury, and data center solutions. For Interim 2024, revenue from the Internet of Things (IoT) solutions business amounted to RMB1,959,078,000, representing a decrease of 13.21% as compared with Interim 2023 (Interim 2023: RMB2,257,162,000).

For Interim 2024, gross profit from operating activities was RMB911,681,000, representing an increase of 8.71% compared with Interim 2023 (Interim 2023: RMB838,615,000). The overall gross profit margin was 22.02%, representing an increase of 1.55 percentage points as compared with Interim 2023 (Interim 2023: 20.47%). The improvement in gross margin was mainly attributable to the higher contribution from the cloud services segment, which generally carries higher margins compared with traditional offerings. The shift in revenue mix towards platform-based and SaaS solutions also contributed to improved scalability and efficiency in project delivery, resulting in enhanced profitability for the Group during the reporting period. For Interim 2024, operating profit from the management software segment increased to RMB173,955,000, representing a 19.29% increase compared with RMB145,825,000 in the corresponding period of 2023. This increase was supported by continued expansion in high-end digitalization projects, improved standardization of products and services, and better cost efficiency.

For Interim 2024, the Company recorded a profit before tax of RMB106,708,000 (Interim 2023: RMB48,611,000), mainly due to operating profit of RMB173,955,000 from the management software business, representing an increase of 19.29% as compared with Interim 2023 (Interim 2023: RMB145,825,000).

For Interim 2024, profit attributable to owners of the Company amounted to RMB105,702,000 (Interim 2023: RMB49,241,000), representing a substantial increase in profit for Interim 2024, which was mainly attributable to operating profit from management software business which amounted to RMB173,955,000, representing an increase of 19.29% as compared with Interim 2023 (Interim 2023: RMB145,825,000).

As at 30 June 2024, the Group's current assets amounted to RMB4,594,429,000, and mainly comprised trade and bills receivables, contract assets and bank balances and cash. As at 30 June 2024, the Group's current liabilities amounted to RMB3,865,910,000 and mainly comprised trade payables, other payables and accrued expenses and contract liabilities. The Group's current assets were 1.19 times (31 December 2023: 1.17 times) of its current liabilities as at 30 June 2024.

1.3 INFORMATION OF IPG

IPG is an investment holding company established in the PRC. The IPG Group is a leading cloud computing and big data provider in the PRC. IPG, through its wholly-owned subsidiaries, is interested in approximately 54.44% of the issued ordinary share capital of the Company as at the Latest Practicable Date and is therefore a controlling shareholder and a connected person of the Company. The ultimate beneficial owner of IPG is Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government.

1.4 INFORMATION OF INSPUR FINANCE

Inspur Finance is a limited company incorporated in PRC and is principally engaged in providing financial services business in PRC. As at the Latest Practicable Date, 20% of share equity of Inspur Finance is directly held by the Company and 60% of the share equity is directly held by IPG, the remaining 20% share equity is held by Inspur Software Co., Ltd.* (浪潮軟件股份有限公司), whose ultimate beneficial owner is Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government.

2 THE FRAMEWORK AGREEMENT

References are made to the following prior publications of the Company:

(a) Announcements dated 28 July 2022, 18 August 2022 and 16 September 2022 and Circular dated 31 August 2022 in connection with, amongst other things, the Supply Transactions and the Purchase Transactions; and

(b) Announcements dated 9 February 2022, 23 February 2022, 10 March 2022, 31 March 2022 and 29 April 2022 and Circular dated 11 April 2022 in connection with, amongst other things, the Selling Agency Transactions.

As the Supply Transactions, the Purchase Transactions, and the Selling Agency Transactions expired on 31 December 2024 together with their respective annual caps, on 27 December 2024 (after trading hours of the Stock Exchange), the Company and IPG entered into the Framework Agreement to, inter alia, govern the terms and conditions of the continuing connected transactions between the Group and IPG in respect of the renewal of the respective transactions and the revision of the respective annual caps contemplated above.

2.1 THE PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

Date

27 December 2024 (after trading hours of the Stock Exchange)

Parties

1. the Company (for itself and on behalf of other members of the Group); and

2. IPG (for itself and on behalf of other members of the IPG Group)

Term and Subject Matter of the Framework Agreement

For the term from 1 January 2025 to 31 December 2027 (unless terminated by either party to the Framework Agreement with a 3-month written notice), pursuant to the terms and conditions of the Framework Agreement, the parties to the Framework Agreement will, inter alia, conduct the Purchase Transactions, the Supply Transactions and the Selling Agency Transactions.

(A) The Purchase Transactions

Subject Matter — Types of Products

The Group purchases from the IPG Group various products and hardware of information technology and services ("**IT Products**") from time to time including without limitation the server bearing the name of "Inspur", storage products and other accessories.

Pricing and other terms

The members of the Group purchase the abovementioned IT Products and accessories from members of the IPG Group. The actual quantity, specification, delivery date and price of such products to be provided by the members of the IPG Group are subject to individual orders placed by the members of the Group with the relevant IPG Group member. The parties have agreed that:

(a) the supply of products and components by the relevant IPG Group member to the Group shall be determined on normal commercial terms;

(b) the price per unit of the products and components to be supplied by a relevant IPG Group member will be agreed between the parties by reference to the prevailing price per unit of such products supplied by the IPG Group to Independent Third Parties. In particular, pricing adjustment will be made based on various market factors, including supplier's reputation, level of skills and technology, quality, delivery and services involved in the relevant products and/or components; and

(c) the Group shall not be obliged to accept any terms and conditions (including pricing terms) for the purchase of the products and components from any IPG Group member, which are less favourable than those agreed between any IPG Group member and its Independent Third Party purchasers for the same or similar products and components.

Furthermore, consideration will be given to the following factors in pricing:

(a) where the supplier is a long-term cooperation partner or a strategic partner with exclusive skill or service;

(b) where the supplier demonstrates a dominant position or possesses unique technology in the market, it may significantly influence pricing; and

(c) for highly customized or technically complex products, pricing may be affected by R&D costs, technical difficulty, and production cycles.

Pricing and Internal Control Procedures

In order to ensure the fairness and reasonableness in respect of the pricing, the management team of the Company has established the following management, control and review procedures, monitoring the purchase demands, budget management, purchase manner management and supplier reputation management:

(1) Pre-Pricing Monitoring

(a) The management team will establish pricing standards by collecting historical purchase prices, market price information and other relevant data. Through cost analysis and market research, the management team will formulate reasonable pricing standards or budgets as pricing reference points.

(b) The management team will strictly implement the company's supplier management measures, and will apply the same standards to evaluate third-party and connected suppliers to ensure fairness and impartiality in the quotation process.

(c) The management team implements a standardized quotation process. Quotation requests will be sent to multiple suppliers with clear purchase specifications. The management team will receive quotations from at least 3 suppliers, including Independent Third Parties. Suppliers will be required to provide written quotations within a specified timeframe.

(2) Pricing Monitoring

(a) The management team will compare quotations obtained from a minimum of three independent third parties and those from prospective suppliers, and the entire negotiation process will be documented. In considering the quotations, different weightings will be given to the various key terms of each quotation, such as the price, the quality, mode of delivery etc., and such weightings may be adjusted depending on the scale, the nature and the significance of each purchase transaction.

(b) According to the Company's internal authorized purchase limits, the pricing outcome will be submitted to the relevant departments and/or supervising departments for approval.

(c) The pricing factors will be documented and the consideration and payment method of each purchase transaction will be reduced to contract. If significant change in the terms or conditions of the transaction occurs, re-approving of the contract will be required.

(3) Post-Pricing Monitoring

(a) The management team will monitor the implementation of the purchase contracts to ensure suppliers provide goods or services at the agreed quality and contract prices.

(b) The management team will conduct regular internal audit and price evaluation at the frequency of at least once a quarter. If market price fluctuation, change in production or other price-related factors are observed, the management team will take the initiative to re-negotiate and adjust pricing for upcoming purchase transactions. The new pricing may be affected by various factors, such as the market situation, costs of production, quality, mode of delivery etc., and the scale, the nature and the significance of each purchase transaction.

Payment terms

IPG will give two-month credit period for the Group's settlement of payment for products and components after delivery, which is similar to the credit period granting to its other customers (it being a common industry practice for payment in transactions of the similar nature, is therefore, on normal commercial terms and no less favourable than those offered by Independent Third Parties). The Group will make the payment out of the Group's internal resources.

Our Assessment

We have discussed with the Management and note that in order to ensure that the terms and the prices of the IT Products and accessories to be supplied by the relevant IPG Group member under the Purchase Transactions are on normal commercial terms and not less favourable than those of the same (or similar) products or services supplied by Independent Third Parties at the relevant times, the Management would refer to at least two comparable transactions in determining the price of the IT Products and accessories to be supplied by the relevant IPG Group member. As the Group has other suppliers for the same (or similar) products or services, the Management will refer to the commercial terms offered by other suppliers when determining the same (or similar) with the relevant IPG Group member.

We also note that before placing an order with any IPG Group member, the procurement department of the Group collects pricing information from at least two independent third-party suppliers for products or services of similar specifications. This is used to form a pricing reference baseline. Then the procurement team of the Company would compare quotations from IPG Group members against those independent suppliers. The pricing assessment, along with justification for vendor selection, must be documented and submitted for approval by the relevant department head in accordance with the Company's procurement approval matrix. Furthermore, the Management would periodically update benchmark pricing through public market information or supplier quotes, and conducts regular post-procurement reviews to ensure consistency with the Group's pricing policy.

For our due diligence purpose, we have obtained and reviewed 2 samples of contracts entered into between the Group and Independent Third Parties selected on a random basis from the lists of suppliers in relation to the supply of IT Products and accessories (or similar) during the period from 1 January 2022 to 31 December 2024. We have also obtained and reviewed 6 and 6 samples of transaction records regarding the historical procurement of the IT Products and accessories (or similar) by the Group from (a) the relevant IPG Group member; and (b) Independent Third Parties, respectively for the period from 1 January 2022 to 31 December 2024. Such (a) 6 samples of transactions records between the Group and the relevant IPG Group member; and (b) 6 samples of transactions records between the Group and Independent Third Parties, were selected on a random basis from the lists of transactions in respect of the procurement of the IT Products and accessories (or similar) supplied by the Inspur Group and suppliers which are Independent Third Parties covering the period from1 January 2022 to 31 December 2024. All samples were randomly selected and the records reviewed contained sufficient details regarding product types, unit prices, quantities, and payment terms. We observed that the pricing applied in transactions with IPG Group members was in line with or more favourable than those offered by Independent Third Parties for comparable products or services.

Given that (i) the process for the Purchase Transactions including the respective internal control procedure is consistent throughout the period under our review; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the arrangement of Purchase Transactions, including the respective internal control procedure, we are of the view that those samples are sufficient for us to assess the arrangement of the Purchase Transactions, including the respective internal control procedure.

On the basis of our review, we note that (i) the terms of the Purchase Transactions as reviewed by us were in line with the transaction terms between the Group and other suppliers of similar procurement of the IT Products and accessories (or similar) which are Independent Third Parties; (ii) the prices of the procurement of the IT Products and accessories (or similar) to be purchased under the Purchase Transactions are not less favourable than the quotations or prices of the products and components with Independent Third Parties; (iii) the Purchase Transactions were on normal commercial terms when compared with those applicable to the IT Products and accessories (or similar) supplied by Independent Third Parties; and (iv) the Company's respective internal control procedures are structured and well-documented and are effective in ensuring that the pricing of the Purchase Transactions is on normal commercial terms and no less favourable than those offered by Independent Third Parties. As such, we are of the view that the terms of the Purchase Transactions are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders and are fair and reasonable.

(B) The Supply Transactions

Subject Matter — Supply of Products and Services

The Group supplies and provides the IPG Group from time to time with software and hardware developed by the Group, and services such as cloud services, IOT solutions, solutions regarding corporate management and other information technology services.

Pricing and other terms

The Group supplies the aforementioned products and services to the IPG Group. The actual terms and conditions of such goods and/or services to be provided by the Group are subject to individual orders placed by the IPG Group. The parties have agreed that:

(a) the supply of products and services by the relevant member of the Group to the IPG Group shall be on normal commercial terms. The Company does not differentiate discount polices available to its connected persons and Independent Third Parties;

(b) the service fees of such services or the prices of products to be provided or supplied by the Group will be agreed between the parties by reference to the lower of (i) market price for such services or the prices of products to be provided or supplied; and (ii) the prevailing prices of such services supplied or such goods provided by the Group to Independent Third Parties at the relevant time; and

(c) (i) the service fees of such services or the prices of products to be provided or supplied by the Group; and (ii) any other terms and conditions on the above, will not be less favourable than those agreed between any members of the Group and Independent Third Parties for such services supplied or such goods provided by the Group.

As the Group has other customers for comparison purposes, the Company will select at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions when determining the prices to ensure that the prices of the products and the service fees of the services to be supplied under the Supply Transactions are not less favourable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times.

Pricing and Internal Control Procedures

Apart from referencing comparable transactions, consideration will be given to the following factors in pricing:

(a) the scale of supply and market impact, as certain discount may be given if the demand and the economies of scale permits. The Company does not differentiate discount polices available to its connected persons and Independent Third Parties;

(b) historical transaction records with the customers;

(c) in case of product iteration, discount maybe provided for older versions;

(d) how long the relevant products and/or services have been launched on the market; and

(e) existing competition for similar products and/or services on the market.

The business team will report all prospective contracts with pricing and other major transaction terms to the management for review and approval to ensure that the prospective contracts will be made in accordance with internal control measures.

The management team will review the pricing policies of the Supply Transactions at least annually. However, in case of change in market condition, the pricing policies may be adjusted as frequently as the market condition requires. The internal audit department will also review Supply Transactions to ensure that they are conducted in accordance with the pricing policies.

Payment terms

The Group will give two-month credit period for the IPG Group to settle the service fees charged for the services rendered or the payment for the products. Such credit period is a common industry practice for services provision or products supply of the similar nature, and is therefore, on normal commercial terms and no more favourable than that offered to Independent Third Parties.

Our Assessment

We have discussed with the Management and note that in order to ensure that the terms and the prices of the software and hardware and services to be supplied by the Group under the Supply Transactions are on normal commercial terms and not less favourable than those of the same (or similar) software and hardware and services supplied to Independent Third Parties at the relevant times, the Company will select at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions for comparison purposes when determining the respective terms and prices.

For our due diligence purpose, we have obtained and reviewed 2 samples of contracts entered into between the Group and Independent Third Parties selected on a random basis from the lists of customers in relation to the supply and provision of software and hardware developed by the Group and services during the period from 1 January 2022 to 31 December 2024. We have also obtained and reviewed 6 and 6 samples of transaction records regarding the historical supply and provision of software and hardware developed by the Group and services to (a) the IPG Group; and (b) Independent Third Parties, respectively for the period from 1 January 2022 to 31 December 2024. Such (a) 6 samples of transactions records between the Group and the Inspur Group; and (b) 6 samples of transactions records between the Group and Independent Third Parties, were selected on a random basis from the lists of transactions in respect of the supply and provision of software and hardware developed by the Group and services with the Inspur Group and customers which are Independent Third Parties covering the period from1 January 2022 to 31 December 2024.

Given that (i) the process for the Supply Transactions is consistent throughout the period under our review; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the arrangement of the Supply Transactions, we are of the view that those samples are sufficient for us to assess the arrangement of the Supply Transactions.

On the basis of our review, we note that (i) the terms of the Supply Transactions as reviewed by us were in line with the transaction terms between the Group and other suppliers of the supply and provision of software and hardware developed by the Group and services which are Independent Third Parties; (ii) the prices of the software and hardware developed by the Group and services to be supplied under the Supply Transactions are not less favourable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times; and (iii) the Supply Transactions were on normal commercial terms when compared with those applicable to the same (or similar) products or services supplied to Independent Third Parties. As such, we are of the view that the terms of the Supply Transactions are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders and are fair and reasonable.

(C) The Selling Agency Transactions

Subject Matter

As the IPG Group holds various qualifications not yet obtained by the Group, such as first-class qualification for professional contracting of electronic and intelligent engineering, first-class qualification for ITSS operation and maintenance awarded by the China Electronics Industry Standardization Technology Association, the Group appoints the members of IPG Group as its selling agent in respect of various products and services of the Group (including, but not limited to, ERP software, SAAS services, IOT platform, communications industry software and software outsourcing products).

As certain of the Group's businesses are derived from public tenders (which require the qualifications held by members of the IPG Group), the Group co-operates with members of IPG Group with a view to obtaining more opportunities to co-operate with customers. The Group will participate in the negotiation and finalization of the terms of supply of products to the ultimate third-party customers and ensure that the supply of products is on normal commercial terms. The members of the IPG Group will place orders with the relevant members of the Group for supply of the products from time to time. After acceptance of the orders by the Group, the Group will directly provide the products to the customers. After the delivery of the products to the customers, the relevant members of the members of IPG Group will issue sale invoices to the customers and the relevant members of Group will issue sales invoice to the members of IPG Group for settlement of the products.

Pricing Policy and Payment terms

The Group pays a selling agency commission of not more than 1% (calculated on the price of the relevant products payable by the customers) to the members of the IPG Group. The members of the IPG Group will deduct the related commission from the price received from the customers and pay back the net proceeds to the Group. Such arrangement is a common industry practice for selling agency transactions of the similar nature, and is therefore, on normal commercial terms and no more favourable than that offered to Independent Third Parties.

For the avoidance of doubt, the commission is the only fee received by the members of the IPG Group from the Group. The balance of the fees is paid to the members of the IPG Group only on a pass-through basis. The members of the IPG Group are not end-customers in those transactions.

Our Assessment

We have discussed with the Management and noted that the IPG Group did not act as selling agent of entities other than members of the IPG Group and the Group. The selling agency arrangements remain internal to the Group ecosystem and are limited to the members of the IPG Group and the Group. As such, the 1% commission is determined with reference to the Qualification Management Policy (資質管理有關規定) of the IPG Group (the "**Policy**") pursuant to which the IPG Group will charge a selling agency commission of not more than 1% of the contract amount as general policy.

The IPG Group are the only selling agents appointed by the Group and the Group has not entered into any selling agency transactions with Independent Third Parties on terms consistent with those of Inspur Group. As stated by the Management, it is highly unlikely for the Group to find an Independent Third Party who owns the Qualifications as the IPG Group are charging a commission fee of less than 1%. Moreover, other entities with the Qualifications are limited in number and as business competitors of the Group, they would not offer selling agency services to the Group. Therefore, it would not be possible for the Company to seek quotes from Independent Third Parties in relation to the Selling Agency Transactions. Due to the unique nature of the Qualifications and industry practice, and that all the IPG Group are subject to the same commission rate and payment terms (i.e. the relevant Inspur Group Companies will receive the net proceeds (after deduction of the related commission) within five days after the payment has been received from the third party customers), the Board is of the view that the 1% commission fee and the payment terms of the selling agency commission are fair and reasonable and on normal commercial terms or better. We are further advised by the Management that the IPG Group has been charging the Group selling agency commission of not more than 1% for the past few years.

We have reviewed the Policy, which is the internal control policy used by the IPG Group to govern including, but not limited to, the transactions relevant to the Selling Agency Transactions taking into account the cost of maintaining the Qualifications by the IPG Group and is therefore one of the references of the Group to assess the fairness and reasonableness of the terms of the Selling Agency Transactions. We note that it is the general business policy of the IPG Group to charge a selling agency commission of not more than 1% of the contract amount.

Based on our communication with the Management, we note that since those Qualifications are owned by different members of the IPG Group, members of the IPG Group also encountered the situation where they need to rely on the Qualifications not owned by itself but are owned by other members. In order to standardise the procedures in using Qualifications amongst the members of the IPG Group as well as the Group, the Inspur Group had already set out the Policy in 2006. We are advised that the purpose of the Policy is to establish a non-gratuitous and non-profit practice for relying on Qualifications of other members amongst the IPG Group as well as the Group.

The Management further advised that, other entities with the Qualifications are limited in number and as business competitors of the Group, rather than offering selling agency services to the Group, those entities will only outsource the services if they win the public tender. In the event that those entities outsource the tender, the margin charged by those entities shall be much higher than 1%, which the actual fees charged shall be varied depending on the nature and scope of the respective projects.

Given the absence of external selling agency arrangements and that the Group has no alternative access to the required qualifications, it remains highly unlikely that comparable agency services could be sourced from Independent Third Parties, particularly at a rate not exceeding 1%. As such, we concur with the view of the Board that the 1% commission fee and the payment terms of the selling agency commission are fair and reasonable and on normal commercial terms or better.

On the other hand, for our due diligence purpose, we have obtained and reviewed 2 samples of transaction records per year regarding the historical Selling Agency Transactions between the Group and the IPG Group for each of the three years ended 31 December 2024. Those 6 samples of transactions records between the Group and the IPG Group were selected on a random basis from the lists of transactions in respect of the Selling Agency Transactions with the IPG Group covering the period from1 January 2022 to 31 December 2024. Given that (i) the arrangements for the Selling Agency Transactions between the IPG Group is consistent throughout 2022 to 2024; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the arrangement of the Selling Agency Transactions between the Group and the IPG Group, we are of the view that those samples are sufficient for us to assess the arrangement of the Selling Agency Transactions with the IPG Group.

On the basis of our review, we note that the commission rate under the Selling Agency Transactions is accordance with the general business policy of the IPG Group. Based on the above, we considered that the terms of the Selling Agency Transactions Agreement, including but not limited to the pricing policy thereunder, are on normal commercial terms, fair and reasonable and in the interest of the Company so far as the Company and the Independent Shareholders are concerned.

2.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE FRAMEWORK AGREEMENT

(A) The Purchase Transactions

Existing Annual Caps & Historical Amount

Set out below are the historical transaction amounts of the Purchase Transactions for the three years ended 31 December 2024 (with the relevant existing annual caps set out in brackets):

	Year ended 31 December 2022	**Year ended 31 December 2023**	**Year ended 31 December 2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchase Transactions	262,073	397,681	456,090
	(320,000)	(416,000)	(540,800)

For the five months ended 31 May 2025, the transaction amount of the Purchase Transactions was approximately RMB163,277,000.

Proposed Annual Caps for the Purchase Transactions

The proposed annual caps for the Purchase Transactions under the Framework Agreement for the three years ending 31 December 2027 are:

	Year ending 31 December 2025	**Year ending 31 December 2026**	**Year ending 31 December 2027**
	RMB'000	*RMB'000*	*RMB'000*
Purchase Transactions	1,004,800	1,139,443	1,292,129

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Purchase Transactions, we have discussed with the Management and note that proposed annual caps for the Supply Transactions for the three years ending 31 December 2027 are determined with reference to the following basis:

(a) the actual transaction amount of the payment made to, and income received from, IPG Group in respect of the historical Purchase Transactions for the three years ended 31 December 2024;

(b) according to the internal survey of the Company as of 31 December 2024, the prospective Purchase Transactions orders to be received by the Company for the first half of the year ending 2025, has already reached approximately RMB640 million. It is expected that Purchase Transactions orders will continue to be received by the Company for the second half of the year ending 2025;

(c) the compound annual growth rate ("**CAGR**") of the revenue of the Company from the year ended 2020 to the year ended 2023 was approximately 57%. It is expected that that growth rate will maintain for the year ending 2025;

(d) the business plan regarding IT Products and the expected annual growth rates of the Company's revenue and the amounts of the Purchase Transactions. According to the information announced by the Ministry of Industry and Information Technology in 2023, the growth rate regarding the software industry in 2026 and 2027 is expected to be approximately 13.4%; and

(e) the anticipation of the demand for various IT products and accessories pursuant to the Purchase Transactions to surge in light of the emphasis in the PRC to undergo industrial digital transformation, prompting the Group to accelerate the construction of information network infrastructure and utilise networking tools to enhance corporate connectivity.

We noted from the annual report of the Company for FY2024 that, when converted and expressed in RMB, the Group's revenue of (i) cloud service business for FY2024 recorded 38.1% growth and contributing 51.9% of total revenue from software and cloud revenue. This signals a structural shift in the business mix toward higher-margin and scalable segments; and (ii) management software for FY2024 recorded 3.7% growth, accounted in RMB as compared to that for FY2023. In addition, revenue from cloud services accounted for 51.9% of the Group's revenue from software and cloud services during FY2024, which has become a new growth driver for the Group's revenue. The Management expects a continuing Purchase need due to the PRC government emphasis on industrial digitalisation and the Group's active involvement in enterprise cloud transformation.

On the other hand, we examined the historical transaction amounts for the Purchase Transactions (i.e. 2022: RMB262,073,000, 2023: RMB397,681,000, and 2024: RMB456,090,000), which demonstrates a consistent upward trend, with a CAGR of approximately 31.9% from 2022 to 2024, providing a baseline for the projected growth of the proposed annual caps for the Purchase Transactions by the Management.

In addition, we have also reviewed the Company's internal survey documentation, specifically a detailed estimated order from the members of the IPG Group, which indicates that prospective Purchase Transactions orders for the first half of the year ending 31 December 2025 have already reached approximately RMB640,000,000. Based on our discussion with the Management, we understand that such report is prepared by the Company's procurement and finance departments under Management oversight, compiles proposed purchase commitments from the IPG Group for IT products. The Management expresses that these orders projections from the members of the IPG Group are prepared based on projects already commenced and/or to be commenced, which reflect firm commitments from the members of the IPG Group.

We have further cross-referenced such internal survey documents with the historical record of the Purchase Transactions and are aware that those members of the IPG Group which submit the prospective Purchase Transactions orders have had stable and continuous procurement from the Company, reflecting the predictability and the reliability of such internal survey documents.

We note that the Management estimates that full-year 2025 orders could approach or exceed RMB1,000,000,000, aligning closely with the proposed cap of RMB1,004,800,000. Furthermore, after taking into account the historical CAGR of approximately 31.9% for the Purchase Transactions from 2022 to 2024, we concur with the view of the Company that the proposed annual caps for the Purchase Transactions for the three years ending 31 December 2027 are fair and reasonable.

In assessing the reasonableness of the proposed annual caps for the Purchase Transactions, we have also taken into account external industry forecasts published by third-party research institutions. According to the report titled "China Software Market Size & Outlook, 2024-2030" published by Grand View Research, the software market in China is projected to grow at a CAGR of 13.9% from 2025 to 2030, reaching a market size of approximately USD130.5 billion by the end of the forecast period. This growth is expected to be driven by digital transformation across public and private sectors and increasing investment in enterprise-grade software infrastructure.

In addition, a market report titled "China Cloud Computing Market Size and Share Analysis - Growth, Trends, and Forecasts (2025-2030)" by Mordor Intelligence projects that China's cloud computing market will reach USD56.87 billion in 2025, growing at a CAGR of 18.45% to approximately USD132.60 billion by 2030. This trend is driven by strong demand from government digital infrastructure initiatives and enterprise adoption of hybrid and private cloud solutions.

These forecasts align with the Management's expectation of a significant scale-up in the Group's procurement of IT hardware. They also provide macro-level validation for the anticipated year-on-year growth embedded in the Company's internal cap forecasts for 2025-2027.

Meanwhile, based on our communication with the Management, the proposed annual caps for the Purchase Transactions are appropriate and would not cause over-reliance on the IPG Group even if the annual caps are fully utilised as the Purchase Transactions under the Framework Supplemental Agreement is on non-exclusive basis with no obligation on the Company's options to accept any terms and conditions (including pricing terms) for the purchase of the IT Products and accessories to be supplied by the relevant IPG Group member which are less favourable than those agreed between any member of the Group and its Independent Third Party suppliers for such same (or similar) products or services.

Furthermore, to mitigate the risk of over-reliance and to maintain compliance with Listing Rules, the Company would adopt the safeguards and internal monitoring measures, including but not limited to, (i) monthly monitoring of transaction amounts with IPG Group by the finance department; (ii) early warning mechanism when cumulative transactions reach 80% of the cap, triggering internal senior management review; (iii) assessment of customer and supplier concentration in the Group's annual risk review to ensure no material operational dependency arises; (iv) flexibility in sourcing and customer engagement, where the Group is not contractually obligated to transact exclusively with IPG Group; and (v) annual review by the Independent Non-Executive Directors and external auditors, covering the fairness of terms and independence of commercial dealings with IPG Group.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Purchase Transactions with the IPG Group. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Group should there be further business cooperation between the Group and the IPG Group in the foreseeable future.

Taking into account of the above, we are of the view that the proposed annual caps for the Purchase Transactions are fairly determined and are fair and reasonable.

(B) The Supply Transactions

Existing Annual Caps & Historical Amount

Set out below are the historical transaction amounts of the Supply Transactions for the three years ended 31 December 2024 (with the relevant existing annual caps set out in brackets):

	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*
Supply Transactions	354,247	426,352	564,092
	(360,000)	(439,200)	(570,960)

For the five months ended 31 May 2025, the transaction amount of the Supply Transactions was approximately RMB163,712,000.

The Proposed Annual Caps for the Supply Transactions

The proposed annual caps for the Supply Transactions under the Framework Agreement for the three years ended 31 December 2027 are:

	Year ending 31 December 2025	Year ending 31 December 2026	Year ending 31 December 2027
	RMB'000	*RMB'000*	*RMB'000*
Supply Transactions	1,010,807	1,146,225	1,299,854

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Supply Transactions, we have discussed with the Management and note that proposed annual caps for the Supply Transactions for the three years ending 31 December 2027 are determined with reference to the following basis:

(a) the actual transaction amount of the payment made to, and income received from, the Group in respect of the historical Supply Transactions for the three years ended 31 December 2024; and

(b) according to the business plan and policy of the IPG Group to synergise resources, there will be an anticipated increase in demand for the Company's (i) cloud services business; and (ii) management software and software outsourcing business. Further, the CAGR of the revenue of the Company from the year ended 2020 to the year ended 2023 was approximately 57%. It is expected that that growth rate will maintain for the year ended 2025 and the Supply Transactions for the year ended 2025 is expected to be approximately RMB1.011 billion. According to the information announced by the Ministry of Industry and Information Technology in 2023, the growth rate regarding the software industry in 2026 and 2027 is expected to be approximately 13.4%. Hence, the annual caps for the years ended 2026 and 2027 are expected to be approximately RMB1.146 billion and RMB1.299 billion respectively.

We noted from the annual report of the Company for FY2024 that, when converted and expressed in RMB, the Group's revenue of (i) cloud service business for FY2024 recorded 38.1% growth and contributing 51.9% of total revenue from software and cloud revenue. This signals a structural shift in the business mix toward higher-margin and scalable segments; and (ii) management software for FY2024 recorded 3.7% growth, accounted in RMB as compared to that for FY2023. In addition, revenue from cloud services accounted for 51.9% of the Group's revenue from software and cloud services during FY2024, which has become a new growth driver for the Group's revenue. Based on our discussion with the Management, it is expected that the demand for software and hardware developed by the Group, and services such as cloud services, IOT solutions, solutions regarding corporate management and other information technology services will likely be sustain for the three years ending 31 December 2027. The Management expects a continuing Purchase need due to the PRC government emphasis on industrial digitalisation and the Group's active involvement in enterprise cloud transformation.

In assessing the reasonableness of the proposed annual caps for the Purchase Transactions, we have also taken into account external industry forecasts published by third-party research institutions. According to the report titled "China Software Market Size & Outlook, 2024-2030" published by Grand View Research, the software market in China is projected to grow at a CAGR of 13.9% from 2025 to 2030, reaching a market size of approximately USD130.5 billion by the end of the forecast period. This growth is expected to be driven by digital transformation across public and private sectors and increasing investment in enterprise-grade software infrastructure.

In addition, a market report titled "China Cloud Computing Market Size and Share Analysis - Growth, Trends, and Forecasts (2025-2030)" by Mordor Intelligence projects that China's cloud computing market will reach USD56.87 billion in 2025, growing at a CAGR of 18.45% to approximately USD132.60 billion by 2030. This trend is driven by strong demand from government digital infrastructure initiatives and enterprise adoption of hybrid and private cloud solutions.

These forecasts align with the Management's expectation of a significant scale-up in the Group's delivery of software and cloud solutions. They also provide macro-level validation for the anticipated year-on-year growth embedded in the Company's internal cap forecasts for 2025-2027.

Meanwhile, based on our communication with the Management, the proposed annual caps for the Supply Transactions are appropriate and would not cause over-reliance on the IPG Group even if the annual caps are fully utilised as the cooperation between the Company and the IPG Group under the Framework Agreement is on non-exclusive basis with no obligation on the Company's options to accept any terms and conditions (including pricing terms) for the supply of such software and hardware and services which are less favourable than those agreed between any member of the Group and its Independent Third Party customers for such software and hardware and services.

Furthermore, to mitigate the risk of over-reliance and to maintain compliance with Listing Rules, the Company would adopt the safeguards and internal monitoring measures, including but not limited to, (i) monthly monitoring of transaction amounts with IPG Group by the finance department; (ii) early warning mechanism when cumulative transactions reach 80% of the cap, triggering internal senior management review; (iii) assessment of customer and supplier concentration in the Group's annual risk review to ensure no material operational dependency arises; (iv) flexibility in sourcing and customer engagement, where the Group is not contractually obligated to transact exclusively with IPG Group; and (v) annual review by the Independent Non-Executive Directors and external auditors, covering the fairness of terms and independence of commercial dealings with IPG Group.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Supply Transactions with the IPG Group. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Group should there be further business cooperation between the Group and the IPG Group in the foreseeable future.

Taking into account of the above, we are of the view that the proposed annual caps for the Supply Transactions are fairly determined and are fair and reasonable.

(C) The Selling Agency Transactions

Existing Annual Caps & Historical Amount

Set out below are the historical transaction amounts of the Selling Agency Transactions for the three years ended 31 December 2024 (with the relevant existing annual caps set out in brackets):

	Year ended 31 December 2022	**Year ended 31 December 2023**	**Year ended 31 December 2024**
	RMB'000	*RMB'000*	*RMB'000*
Annual caps of transaction value	603,281	675,570	658,870
	(1,420,000)	(1,846,000)	(2,400,000)
Annual caps of commission	6,002	6,676	0
	(14,200)	(18,460)	(24,000)

For the five months ended 31 May 2025, the transaction value of the Selling Agency Transactions was approximately RMB68,899,000 and the commission was nil.

The Proposed Annual Caps for the Selling Agency Transactions

The proposed annual caps for the Selling Agency Transactions under the Framework Agreement for the three years ended 31 December 2027 are:

	Year ending 31 December 2025	**Year ending 31 December 2026**	**Year ending 31 December 2027**
	RMB'000	*RMB'000*	*RMB'000*
Annual caps of transaction value	818,635	928,332	1,052,728
Annual caps of commission	8,186	9,283	10,527

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Selling Agency Transactions, we have discussed with the Management and note that proposed annual caps for the Selling Agency Transactions for the three years ending 31 December 2027 are determined with reference to the following basis: (i) recent historical transacted amount of Selling Agency Transactions; (ii) orders which have been fulfilled and sale orders on hand; and (iii) the growth rate regarding the software industry in 2026 and 2027 is expected to be approximately 13.4%, according to the information announced by the Ministry of Industry and Information Technology in 2023, assuming continued growth in demand for Selling Agency Transactions and general inflation.

In expecting an annual growth rate of 13.4% in the Selling Agency Transactions, the Board has considered the historical performance of the Selling Agency Transactions and the growth rate of the Company, especially taking into account the latest financial position of the Group for the year of 2023.

We noted from the annual report of the Company for FY2024 that, when converted and expressed in RMB, the Group's revenue of (i) cloud service business for FY2024 recorded 38.1% growth and contributing 51.9% of total revenue from software and cloud revenue. This signals a structural shift in the business mix toward higher-margin and scalable segments; and (ii) management software for FY2024 recorded 3.7% growth, accounted in RMB as compared to that for FY2023. In addition, revenue from cloud services accounted for 51.9% of the Group's revenue from software and cloud services during FY2024, which has become a new growth driver for the Group's revenue. Based on our discussion with the Management, it is expected that the demand in the Group's products and services will be sustain for the three years ending 31 December 2027 and thus the needs of using various qualifications held by members of the IPG Group among the public tenders will also be sustain.

Meanwhile, based on our communication with the Management, the proposed annual caps for the Selling Agency Transactions are appropriate and would not cause over-reliance on the IPG Group as: (i) the contribution of the Selling Agency Transactions to the Company's turnover in each of the past three years from 2022 to 2024 was not more than 40%; (ii) the Group will only use the qualifications held by members of the IPG Group in public tenders where the use of such qualifications would significantly improve the chances of winning the tender; and (iii) the Selling Agency Transactions Agreement do not impose any obligation on the Group to conduct a committed amount of the Selling Agency Transactions with the IPG Group.

As advised by the Management, the contribution of Selling Agency Transactions to the Company's turnover in each of the past three years from 2022 to 2024 was not more than 40% and it is also expected that the contribution for the three years ending 31 December 2027 will not exceed 40%. In addition, the Company is not aware of any disadvantages in relation to or in connection with conducting the Selling Agency Transactions with the IPG Group. Based on the above, we consider that the Company would be able to prevent undue reliance on the IPG Group should there be further business cooperation between the Group and IPG Group in the foreseeable future.

Taking into account of the above, we are of the view that the proposed annual caps for the Selling Agency Transactions are fairly determined and are fair and reasonable.

2.3 REASONS FOR AND BENEFIT OF ENTERING INTO THE FRAMEWORK AGREEMENT

(A) The Purchase Transactions

With respect to the Purchase Transactions, the IPG Group was respectively ranked 8th on the list of Top 100 Enterprises for Software and Information Technology 2023, and 14th on the list of Top 100 Enterprises for Electronic Information Competitiveness 2023, both issued by China Federation of Electronics and Information Industry for the year ended 31 December 2023. With good reputation in the IT area, the IT products supplied by the IPG Group under the Purchase Transactions represent a guarantee of efficiency, high quality, fruit of advanced researches and reliable after-sales service. Cooperation in the Purchase Transactions can bring more supply channels to the Group and bring more revenue and profits to the Group as well.

Our View

Based on our discussion with the Management, the Group has been purchasing from the IPG Group various IT products from time to time including without limitation the IT server under the name of "Inspur", storage products and other accessories over 10 years and the Group has not encountered any issue with the Purchase Transactions with the IPG Group in the past. The Company believes a strong relationship with long-term suppliers is a strength, and the Group has established long standing business relationship with the Inspur Group, the entering into the Framework Agreement would help to Group to secure business with suppliers with stable supply of respective products, which is important to the Group's operation.

Having considered that:

(i) the Group has already maintained a stable long-term relationship with the IPG Group;

(ii) the Purchase Transactions forms part of the daily operation of the Group;

(iii) the proposed annual caps for the Purchase Transactions are fairly determined and are fair and reasonable as stated above; and

(iv) the internal control measures of the Group regarding the Purchase Transactions, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest;

we consider the Purchase Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(B) The Supply Transactions

The Group has been committed to providing the market with technological products, services and solutions. With the Company expecting that growth in demand for its management software and software outsourcing business will continue in the years to come, the transaction volume will continue to increase, the Company would like to continue to conduct the Supply Transactions with the IPG Group. Furthermore, providing technological products and services to the IPG Group, a nationally-recognised technology group, will enhance the Group's brand image and accelerating market penetration by giving the Group access to a larger customer base and potential clients. It is expected that the maintenance of such business relationship will provide the Group with valuable technical resources, data and market insight from the IPG Group, in turn enhancing the Company's technological prowess and competitive edge.

Our View

Based on our discussion with the Management, the Group has been supplying and providing the IPG Group from time to time with software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group for over 10 years and the Group has not encountered any issue with the Supply Transactions with the IPG Group in the past. The Company believes a strong relationship with long-term customers is a strength, and the Group has established long standing business relationship with the IPG Group, the entering into of the Framwork Agreement would help to Group to secure business with customers with stable and growing demand, which is important to the Group's operation.

Having considered that:

(i) the Group has already maintained a stable long-term relationship with the IPG Group;

(ii) the Supply Transactions forms part of the daily operation of the Group;

(iii) the proposed annual caps for the Supply Transactions are fairly determined and are fair and reasonable as stated above; and

(iv) the internal control measures of the Group regarding the Supply Transactions, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest;

we consider the Supply Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(C) The Selling Agency Transactions

In light of the reputation and popularity of members of the IPG Group in the PRC and within the industry, certain clients hope to purchase products and services of the Group through agreements signed with members of the IPG Group in order to achieve double protection. Appointing members of the IPG Group as the Company's selling agent is beneficial in competing for contractual opportunities with specific customers, government agencies and large enterprises especially for bidding projects. Based on public tenders made and market forecasts, the Company expects that demand for its products and service offerings will continue to grow. As such, the Company would like to continue the Selling Agency Transactions via the Framework Agreement.

Our View

We have discussed with the Management and were aware that the IPG Group are the only selling agents appointed by the Group and the Group has not entered into any comparable transactions with Independent Third Parties. The Group may lose some business generated from the public tenders that require the IPG Group's relevant qualification if it terminates the appointment of the IPG Group as its selling agent.

In addition, given other entities with similar qualifications to Inspur Group Companies are limited in number and as business competitors of the Group, they would not offer selling agency services to the Group.

As such, by using the relevant qualifications held by members of the IPG Group, the Group will be able to participate in larger-scale public tenders and enjoy a higher overall rating in public tenders to increase its chance of winning.

After taking into account all the above factors, we consider the Selling Agency Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2.4 INTERNAL CONTROL MEASURES FOR THE FRAMEWORK AGREEMENT

We note that in order to ensure compliance with the requirements for such continuing connected transactions contemplated under the Framework Agreement, the Company had adopted the following internal control measures:

(a) the management of the Company will regularly review the transactions conducted under the Framework Agreement and ensure the compliance of the terms thereof;

(b) the senior management has established a control system to monitor the transaction amounts under the Framework Agreement on a monthly basis to ensure that the transaction amounts have not exceeded and will not exceed the approved annual caps;

(c) the independent non-executive Directors will conduct annual review on the continuing connected transactions to confirm whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(d) the auditors of the Company will conduct annual review on the continuing connected transactions of the Group pursuant to the Framework Agreement to confirm that such continuing connected transactions (i) have been approved by the Board; (ii) were in all material respects, in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the relevant agreement governing them; and (iv) have not exceeded the relevant annual caps.

We have considered and noted that:

(i) the Company has adequate internal control procedures in respect of the Framwork Agreement as aforementioned;

(ii) the documents reviewed by us are consistent with the relevant internal control measures as aforementioned; and

(iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

In view of the above, we consider that the terms of reference, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the Framework Agreement and the transactions contemplated thereunder. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

3 THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT

References are made to Announcements dated 28 July 2022, 18 August 2022 and 16 September 2022 and Circular dated 31 August 2022 in connection with, amongst other things, the provision of several categories of financial services including Deposit Services, Loan Facility Services, certain (i) payment and collection settlement services and related settlement services; and (ii) other financial services provided by Inspur Finance to the Group. The previous framework agreement with respect to the aforementioned categories of financial services has a term of three years and expires on 31 December 2025, the 2025 Framework Financial Services Agreement was entered into between the Company and Inspur Finance on 27 December 2024 (after trading hours of the Stock Exchange). Pursuant to the 2025 Framework Financial Services Agreement, the categories of the financial services have been readjusted to become the Deposit Services, Loan Facility Services and Other Financial Services, in order to cater for the needs of the Group. Pursuant to the 2025 Framework Financial Services Agreement, the term shall be of three years (expiring on 31 December 2027), and the annual caps for those categories of financial services will be renewed accordingly.

3.1 THE PRINCIPAL TERMS OF THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT

The principal terms of the 2025 Framework Financial Services Agreement are set out as follows:

Date

27 December 2024 (after trading hours of the Stock Exchange)

Parties

1. the Company (for itself and on behalf of other members of the Group)

2. Inspur Finance

Term and Subject Matter of the 2025 Framework Financial Services Agreement

For the term from 1 January 2025 to 31 December 2027, pursuant to the terms and conditions of the 2025 Framework Financial Services Agreement, Inspur Finance will provide Deposit Services, Loan Facility Services, and Other Financial Services to the Group.

(A) Deposit Services

Subject Matter

With Inspur Finance ensuring the safety of the deposit fund, the Company has opened a deposit account with Inspur Finance and placed time deposit or demand deposit into the account.

The deposit interest rates offered by Inspur Finance to the Group shall be benchmarked against the deposit interest rates promulgated by the People's Bank of China from time to time in the same period and of the same type.

The finance department of the Group will review and compare the deposit interest rates offered by the People's Bank of China and then report to Chief Financial Officer in a quarterly manner, and the Company will negotiate with Inspur Finance to determine the deposit interest rates at a level not lower than the highest among these benchmark deposit interest rates.

Interest Rates for Deposit Services

The interest rates for the Deposit Services are determined with reference to the deposit interest rates published by the People's Bank of China from time to time (being the basic rate), and the interest rates for current deposit, call deposit and time deposit are adjusted from the basic rate by an addition of 3.5 basis point to 75 basis point. The value of the basis point to be added is dependent on the type of deposit and the resultant interest rate offered by Inspur Finance shall not be lower than that offered by the major commercial banks in the PRC. The management of the Company will make reference to the interests offered by, inter alia, the Industrial and Commercial Bank of China Limited, the Agricultural Bank of China Limited and the Bank of China Limited.

Internal Control Procedures on Determination of Interest Rates

The deposit interest rates offered by Inspur Finance to the Group shall be benchmarked against the deposit interest rates promulgated by the People's Bank of China, which shall not be lower than those offered by the People's Bank of China. The management of the Company compares the deposit interest rates on a monthly basis, and as frequent as required when new state policies are promulgated or when market turbulence occurs, which may have a significant impact on the Deposit Services.

Our Assessment

We are given to understand from the Company that the transactions of Deposit Services will be subject to the review and approval of different staff in the finance department of the Group to ensure the deposit interest rates offered by Inspur Finance are equivalent to or not less favourable than those offered by the People's Bank of China.

Accordingly, we have reviewed 6 randomly selected samples of monthly statement of historical depository services provided by Inspur Finance to the Group during the period from 1 January 2022 to 31 December 2024 and conducted sample checks on the review and approval process of those historical transactions and note that the review and approval process were properly documented to confirm the approval by the financial department of the Group on the deposit interest rates offered by Inspur Finance in relation to the Deposit Services.

We have also discussed with the Management about the pricing policy and understand that the Company will collect market information from time to time as reference for the purpose of comparison under the price control procedures, including the deposit interest rates obtained from the People's Bank of China. We consider that the price control procedures will enable the Company to effectively ensure the terms from Inspur Finance are on normal commercial terms or better.

Based on our review, we note that the respective samples reflect deposit interest rates that are either equivalent to or not less favourable than the applicable benchmark rates offered by the People's Bank of China.

After considering the above factors, we are of the opinion that the pricing policy of the Deposits Services are properly followed and that the deposit interest rates of the Deposit Services are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders.

(B) Other Financial Services

Subject Matter

In order to cater the increasingly complex landscape in the financial industry, the Group's need of financial services has correspondingly changed, and in turn, as one of the financial service providers of the Group, Inspur Finance has adjusted its services providing to the Group.

Pursuant to the 2025 Framework Financial Services Agreement, such Other Financial Services can be segregated into two sub-categories, one being sale and purchase of foreign currencies against RMB (Sub-category A), under which, foreign exchange purchase refers to the acquisition of foreign exchange by Inspur Finance from the Group at exchange rates of foreign exchange markets against the payment of corresponding Renminbi; alternatively, foreign exchange sale refers to the sale of foreign exchange by Inspur Finance to the Group at exchange rates of foreign exchange markets, against the payment of corresponding Renminbi. Another sub-category being other miscellaneous financial services such as financial advisory and consultancy services, underwriting of bonds, derivatives hedging products (Sub-category B).

Pricing terms

The pricing terms offered by Inspur Finance to the Group shall be benchmarked against the pricing terms promulgated by the People's Bank of China from time to time in the same period and of the same type of financial services.

The finance department of the Group will review and compare the pricing terms offered by the People's Bank of China and then report to Chief Financial Officer in a quarterly manner, and the Company will negotiate with Inspur Finance to determine the pricing terms at a level no less favourable among those aforementioned benchmark pricing terms.

Our Assessment

We are given to understand from the Company that the transactions of Other Financial Services will be subject to the review and approval of different staff in the finance department of the Group to ensure the pricing terms offered by Inspur Finance are at a level no less favourable than those offered by the People's Bank of China.

We have also discussed with the Management about the pricing policy and understand that the Company will collect market information from time to time as reference for the purpose of comparison under the price control procedures. We consider that the price control procedures will enable the Company to effectively ensure the terms from Inspur Finance are on normal commercial terms or better.

Pursuant to the 2025 Framework Financial Services Agreement, we note that the Other Financial Services comprise two main sub-categories, the foreign exchange services and the other advisory and financial services. For the foreign exchange services, these include the purchase and sale of foreign currencies against RMB. The applicable exchange rates are benchmarked against the prevailing interbank rates or official reference rates published by the People's Bank of China or as observed in the real-time interbank foreign exchange market. In practice, the Company only enters into foreign currency exchange contracts with Inspur Finance when the rates are equal to or more favourable than those available through its commercial banking partners. For the other advisory and financial services, these include financial advisory and consultancy services, bond underwriting, and hedging solutions. The pricing for these services is benchmarked against standard fee schedules published by comparable state-owned financial institutions, indicative terms provided by PRC commercial banks, and/or historical fee structures in past engagements involving similar scope and scale.

As part of our independent assessment, for the foreign exchange services, we have reviewed 3 sample exchange records during the period from year 2022 to 2024. We compared the transaction exchange rates against the reference rates published by the People's Bank of China and observed no adverse deviation. The Company had also maintained documentation evidencing rate comparisons with major PRC commercial banks. Meanwhile, for the other advisory and financial services, we have reviewed 3 samples records during the period from year 2022 to 2024. We note that these services were only engaged after verifying that the service terms and fee levels were in line with those offered by two independent licensed financial institutions. As such, we consider that the Company's internal pricing assessment procedures for both sub-categories are consistent, and that Inspur Finance's pricing terms are not less favourable than those available from Independent Third Parties.

After considering the above factors, we are of the opinion that the pricing policy of the Other Financial Services are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders.

3.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT

(A) Deposit Services

Existing Annual Caps & Historical Amount

Set out below are the historical transaction amounts of the Deposit Services for the three years ended 31 December 2024 (with the relevant existing annual caps set out in brackets), being the maximum daily deposit balance (including any interest accrued therefrom):

	Year ended 31 December 2023	**Year ended 31 December 2024**	**Year ending 31 December 2025**
	RMB'000	*RMB'000*	*RMB'000*
Deposit Services	497,510	497,440 (up to 30 November 2024)	497,440
	(500,000)	(500,000)	(500,000)

As at the Latest Practicable Date, the maximum daily deposit balance (including any interest accrued therefrom) for the period from 1 January 2025 to the Latest Practicable Date has not exceeded the existing annual cap for the year ending 2025.

Proposed Annual Caps for the Deposit Services

The proposed annual caps for the Deposit Services under the 2025 Framework Financial Services Agreement, being the maximum daily deposit balance (including any interest accrued therefrom) for the three years ended 31 December 2027 are:

	Year ending 31 December 2025	**Year ending 31 December 2026**	**Year ending 31 December 2027**
	RMB'000	*RMB'000*	*RMB'000*
Deposit Services	900,000	1,050,000	1,200,000

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Deposit Services, we have discussed with the Management and note that proposed annual caps for the Deposit Services for the three years ending 31 December 2027 are determined after taking into account of, inter alia, the historical transaction amounts and expected net cash flow from operating activities of the Group in the next three years.

We noted from the annual report of the Company for FY2023 and the interim report of the Company for the six months ended 30 June 2024 that the cash and cash equivalent of the Group amounted to RMB1,193,170, RMB1,264,504 and RMB528,702 as at 31 December 2022, 31 December 2023 and 30 June 2024 respectively. We noted from the annual report of the Company for FY2023 that, when converted and expressed in RMB, the Group's revenue represented an increase of approximately 19.1% as compared to that of FY2022.

Based on our discussion with the Management, it is expected that the growth of the business of the Group will likely be sustain for the three years ending 31 December 2027. As such, the net cash flow generated from operating activities of the Group is expected to grow in the coming three years as the business scale of management software, cloud services, and internet of things will continue to expand, which will increase the demand for the Deposit Services. In addition, we understand the increase in proposed deposit caps is intended to provide operational flexibility to consolidate idle funds with Inspur Finance when short-term liquidity exceeds daily working capital needs. The proposed caps do not imply a mandatory allocation of the full cash balance but instead represent a maximum allowable limit to ensure responsiveness in deposit allocation.

Furthermore, we understand from the Management that the Company's deposits with Inspur Finance are not subject to any exclusivity arrangements. The Group retains full discretion to place funds with other licensed PRC commercial banks or financial institutions based on prevailing treasury needs and risk considerations. We also note that there are no lock-up covenants, restrictive withdrawal terms, or minimum balance requirements associated with these deposits. As such, we are of the view that the Group maintains adequate operational flexibility and access to funds, which supports the appropriateness of continuing to engage Inspur Finance under the 2025 Framework Financial Services Agreement.

In assessing whether the Company would be exposed to increased credit risk by placing deposits with Inspur Finance instead of licensed PRC commercial banks, we have reviewed the regulatory background and financial profile of Inspur Finance, as well as the Group's risk management framework. We notice that Inspur Finance is a licensed non-bank financial institution regulated by the China Banking and Insurance Regulatory Commission, and is directly non-wholly owned by IPG, which is a state-owned enterprise. According to the Management, Inspur Finance has maintained stable operations and capital adequacy since inception and has been providing treasury-related services to the Group afterward. The Management confirmed that there have been no historical incidents of delayed withdrawals or non-performance in deposit obligations. Additionally, the Company retains the flexibility to place deposits with other PRC licensed commercial banks and is not contractually obligated to allocate a fixed proportion of funds to Inspur Finance. Taken together, we consider that the Company is not exposed to any materially higher credit risk by placing deposits with Inspur Finance, relative to depositing with commercial banks. The existing internal approval process, including regular review of deposit terms and counterparty exposure, also provides a safeguard against undue risk concentration. Based on the above, we are of the view that the Deposit Services are conducted on normal commercial terms, and that the associated credit risk is manageable and not prejudicial to the interests of the Company and the Independent Shareholders.

Meanwhile, based on our communication with the Management, the proposed annual caps of the Deposit Services are appropriate and would not cause over-reliance on the Inspur Finance as the cooperation between the Company and Inspur Finance under the 2025 Framework Financial Services Agreement is on non-exclusive basis with no restrictions on the Company's options to engage other financial service providers.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Deposits Services with Inspur Finance. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Finance should there be further business cooperation between the Group and Inspur Finance in the foreseeable future.

Taking into account the above, we are of the view that the proposed annual caps for the Deposit Services are fairly determined and are fair and reasonable.

(B) Other Financial Services

Proposed Annual Caps for the Other Financial Services

The proposed annual caps for the Other Financial Services under the 2025 Framework Financial Services Agreement for the three years ended 31 December 2027 are:

	Year ending 31 December 2025	**Year ending 31 December 2026**	**Year ending 31 December 2027**
Other Financial Services - Sub-category A	USD200,000,000 (equivalent to RMB1,440,000,000*)	USD200,000,000 (equivalent to RMB1,440,000,000*)	USD200,000,000 (equivalent to RMB1,440,000,000*)
Other Financial Services - Sub-category B	RMB300,000,000	RMB300,000,000	RMB300,000,000

* *Exchange rate of USD1:RMB7.2 adopted.*

As at the Latest Practicable Date, the Group had not engaged Inspur Finance for providing such financial services under the current category of the Other Financial Services. Therefore, there were no relevant historical transaction figures to be disclosed or made reference to. It is further confirmed that the Group had not commenced the transactions under the Other Financial Services and no transaction amount had been incurred.

Our View

The proposed annual caps under the 2025 Framework Financial Services Agreement are (i) USD200 million for Sub-category A (foreign exchange transactions), and (ii) RMB300 million for Sub-category B (other advisory, underwriting, and financial services), for each of the three years ending 31 December 2027.

In assessing the reasonableness and fairness of the proposed annual caps for the Other Financial Services, we have discussed with the Management and note that proposed annual caps for the Other Financial Services for the three years ending 31 December 2027 are determined after taking into account of, inter alia, the expected increase in the need for sale and purchase of foreign currencies against RMB to lock up current foreign exchange costs and preserve value while mitigating corresponding risk, together with the increase in demand for potential bonds underwriting and various other advisory services.

We noted from the annual report of the Company for FY2023 that, when converted and expressed in RMB, the Group's revenue represented an increase of approximately 19.1% as compared to that of FY2022. Based on our discussion with the Management, it is expected that the growth of the business of the Group will likely be sustain for the three years ending 31 December 2027. Given the Group's needs to import hardware components priced in USD, there is an anticipated increase in the demand for the sale and purchase of foreign currencies against the RMB. This necessity emphasizes the importance of effectively managing foreign exchange exposures to mitigate costs and preserve value.

We understand that for Sub-category A, the cap is intended to accommodate the Group's expected foreign currency conversion needs — primarily arising from purchases of imported hardware and software components priced in USD and from overseas service contracts. The Management indicated that fluctuations in USD/RMB rates could materially impact procurement costs. The proposed USD200 million cap allows the Group flexibility to hedge exchange risks through on-demand spot or forward transactions as needed.

We further understand that for Sub-category A, it focusses on transactions with foreign currencies against RMB by Inspur Finance, the addition of such services permits the utilisation of Inspur Finance's spot foreign exchange settlement and sales qualifications, the Company can access the China Foreign Exchange Trade System and conduct online transactions with major state-owned and leading joint-stock banks, ensuring better exchange rates than quotations from major commercial banks in the PRC. Additionally, Inspur Finance's advantages allow internal hedging between legal entities within the Group, ensuring relevant compliance requirements, reducing exchange rate risks, and thereby safeguarding funds. With Inspur Finance's cross-border fund-centralised operation qualifications, Inspur Finance can leverage domestic and international markets to provide services such as "centralized payments" for international business and "centralized operations" for cross-border funds, enabling global, multi-currency fund visibility, control, and integrated management.

Based on the information provided by the Company, the Company and its subsidiaries conducted foreign exchange settlements and sales in the amount of USD36 million, cash pooling transactions exceeding USD32 million, and USD5.56 million (equivalent to RMB40 million) in Hong Kong stock dividends in 2024. The demand for foreign exchange settlement and sales services amounted to USD70 million.

We have further reviewed the overseas business expansion plans of the Company and its subsidiaries provided by the Company, the projected CAGR for overseas business over the next three years is 87%. According to the discussion with the Management, such estimation are made based on the demand for foreign exchange settlement and sales services of USD70 million in 2024, and considering the CAGR of 87%, the demand for 2025 to 2027 will reach a theoretical demand of USD130 million, USD 240 million and USD 450 million respectively. Taking average of the theoretical demand, and rounding to the nearest hundred million, the volume of foreign exchange settlement and sales with the finance company, which offers pricing advantages, is expected to reach USD200 million.

We have reviewed the 2024 Annual Report of the Company and are aware that the revenue of the Group generated from external customers outside the PRC and Hong Kong amounted to approximately RMB30.6 million for FY2023 and approximately RMB853.1 million for FY2024, representing a growth of approximately 2,787.9%. Based on our discussion with the Management, we understand that increase is primarily attributable to the Company's strategic expansion into high-growth international markets, particularly in Asia-Pacific and the Middle East, through targeted agreements with partners such as LATIS Company in Saudi Arabia, Pi DC Company and Infinaxis Company in Malaysia, and A3 Capital in Singapore, as well as the Neutra DC data center project in

Indonesia. These initiatives, aligned with the Company's "AI First" strategy and the deployment of the Inspur Haiyue Large Model and PaaS Platform 7.0, have enabled the Company to secure high-value contracts for cloud services and IoT solutions, capitalizing on the global demand for digital transformation and AI-driven technologies.

We have further enquired the Management in relation to the projection of a CAGR of 87% on the demand for foreign exchange settlement and sales services. The Management expresses that in estimating the proposed annual caps for Sub-category A of the Other Financial Services under the 2025 Framework Financial Services Agreement, the Management referenced not only the historical growth rate of the revenue of the Group generated from external customers outside the PRC and Hong Kong from 2023 to 2024, but also the data from the 2023 Annual Report on Chinese Outward Direct Investment* (2023 年度中國對外直接投資統計公報) published on 24 September 2024 by the Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange.

We have then studied that the 2023 Annual Report on Chinese Outward Direct Investment and have noted that such report is jointly published by the Ministry of Commerce, the National Bureau of Statistics, and the State Administration of Foreign Exchange on 24 September 2024, provides a comprehensive overview of China's outward direct investment activities ("ODI") for the year 2023. The report is structured into five sections: an overview of Chinese ODI, ODI flow and stock, investments in major global economies, the composition of investors and the structure of overseas enterprises. Key findings indicate that China's ODI flow reached USD177.29 billion in 2023, reflecting an 8.7% year-on-year increase, with a global share of 11.4%, ranking China among the top three globally for the 12th consecutive year. By the end of 2023, China's ODI stock stood at USD2.96 trillion, maintaining a top-three global ranking for seven years. The report highlights that Chinese investors established over 48,000 enterprises across 189 countries, including 17,000 in Belt and Road Initiative ("BRI") countries, with central state-owned enterprises contributing approximately 40% of the ODI scale. Over the past decade, nearly 5,000 projects in nearly 140 BRI countries, valued at over USD1 trillion, were undertaken, particularly in infrastructure, energy, and technology sectors. This report underscores the robust growth of Chinese enterprises' global investments, providing a critical backdrop for the Company's strategic expansion into international markets, which drives increased demand for foreign exchange services to support USD-denominated transactions.

Based on the above, the Management expresses that central state-owned enterprises to play a pivotal role in China's overseas investment landscape. As a company backed by the Shandong State-owned Assets Supervision and Administration Commission, the Management considers that the Company holds a significant position in driving overseas business expansion, particularly in high-growth technology sectors where China maintains a global leadership position. This strategic role is underscored by the Company's 2024 overseas revenue growth of 2,787.9% to RMB853.1 million, driven by initiatives such as the Neutra DC project in Indonesia and partnerships in Saudi Arabia, Malaysia, and Singapore. Management further anticipates that this robust overseas expansion will lead to sustained revenue growth, increasing the demand for foreign exchange services to support USD-denominated transactions. This outlook supports the projected 87% CAGR for the demand for foreign exchange settlement and sales services over 2025-2027 and the proposed USD200,000,000 annual cap for Sub-category A of the Other Financial Services, which we consider fair and reasonable in light of the Company's strategic positioning and the global demand for its AI and cloud solutions.

Meanwhile, for Sub-category B, being other miscellaneous financial services, and those include securities investment to the Group. By leveraging Inspur Finance's fixed-income securities investment qualifications, we understand that the Company can be provided with diversified and customized financial services, including collaborating with external professional investors, lowering security and bond issuance costs and saving financial expenses; and organizing bond issuance roadshows with underwriters to enhance the Company's bond market influence, supported by the Inspur Finance's licensed financial institution partnerships.

As such, we note that the proposed RMB300 million cap is based on the Group's preliminary budget estimates for potential bond issuance costs, project finance advisory, and contingency hedging services that may be obtained from Inspur Finance or alternative providers. While the Group has not historically engaged Inspur Finance for such services, the caps are positioned as upper limits to allow optional access to these facilities in the event that pricing and timing terms from Inspur Finance are deemed favourable. The Management expresses that after considering the fast-developing overseas business of the Company, the Company anticipated an increased need for diversified financial needs in the near future to be able to meet with market opportunities available from time to time. With reference to the business plan of the Company, it is expected that the Company may require services as to (i) financing advisory, credit verification and related consultation services; (ii) entrusted loan services; (iii) derivative hedging products; (iv) bond underwriting services; and (v) other businesses and services authorized by the relevant regulatory and administrative authority, and the transaction amounts for each of the named categories is expected to range around RMB50 million to RMB100 million. Hence, a reserve of RMB300 million is allocated for other financial services related-party transactions, with actual usage determined by business requirements.

With reference to the annual report 2024 of the Company, we note that Inspur Communications Information signed strategic cooperation agreements with Saudi Arabia's LATIS Company, Malaysia's Pi DC Company, Infinaxis Company, and Singapore's A3 Capital, etc., to explore the overseas telecommunications market and promote the development of the overseas data center market during FY2024. We consider that the Company's strategic overseas expansion will increase its foreign currency exposure and support the projected demands in Other Financial Services.

In addition, based on our independent research conducted online, we have identified several industry trends that substantiate the Company's projected growth in demand for its overseas business. The Asia-Pacific digital transformation market is projected to grow at a CAGR of 23.9% from 2024 to 2030, fueled by technological advancements and supportive government policies, aligning with the Company's cloud and AI-driven offerings in regional markets such as Malaysia, Singapore, and Indonesia (Source: MarketsandMarkets, 2024, Digital transformation market by offering, technology, vertical, and region — Global forecast to 2030, Report ID: SE 3910). Similarly, the global artificial intelligence market is expected to expand at a 27.67% CAGR, reaching USD826.70 billion by 2030, supporting the Company's potential to secure high-value USD-based cloud contracts abroad (Source: Statista, 2025, Artificial intelligence market worldwide — Statistics & facts, Retrieved from https://www.statista.com/topics/3104/artificial-intelligence/). Additionally, the Asia-Pacific data center infrastructure market is forecasted to grow at a 9.11% CAGR to USD549.99 billion by 2032, with significant contributions from China and Southeast Asia, necessitating increased USD transactions (Source: Market Research Future, 2024, Data center infrastructure market research report — Global forecast till 2032, Report ID: MRFR/ICT/20389-CR). These trends collectively validate the Company's strategic focus on high-growth sectors, reinforcing the reasonableness of the proposed annual caps for the Other Financial Services of the Company.

We further note that Inspur Finance is a licensed financial institution under China Banking and Insurance Regulatory Commission supervision and is permitted to offer a broad range of regulated financial services. The Company retains full discretion to compare terms with Independent Third Parties before selecting any provider. Given the Group's anticipated cross-border transactions, evolving treasury needs, and Inspur Finance's regulatory capacity to offer diversified financial solutions, we consider the proposed annual caps to be conservative upper bounds designed to ensure flexibility. On this basis, and considering the Company's established control mechanisms and commercial discretion in provider selection, we are of the view that the proposed caps for the Other Financial Services are fairly determined, not prejudicial to Independent Shareholders, and commercially reasonable given the Group's growth trajectory and operational scale.

Meanwhile, based on our communication with the Management, the proposed annual caps of the Other Financial Services are appropriate and would not cause over-reliance on the Inspur Finance as the cooperation between the Company and Inspur Finance under the 2025 Framework Financial Services Agreement is on non-exclusive basis with no restrictions on the Company's options to engage other financial service providers.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Other Financial Services with Inspur Finance. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Finance should there be further business cooperation between the Group and Inspur Finance in the foreseeable future.

Taking into account the above, we are of the view that the proposed annual caps for the Other Deposit Services are fairly determined and are fair and reasonable.

3.3 REASONS FOR AND BENEFITS OF ENTERING INTO THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT

Before entering into the 2025 Framework Financial Services Agreement as a renewal to the previous framework agreement with respect to the categories of financial services contemplated therein, the Board has considered the following reasons and benefits:

(1) The interest rates on deposits and loans under the Deposit Services and the Loan Facility Services, and the pricing terms for the Other Financial Services to be offered by Inspur Finance to the Group will be equal to or more favourable than those offered by other independent commercial banks in the PRC in respect of comparable services;

(2) The Company is expected to benefit from Inspur Finance's better understanding of the operations of the Group, which will allow more expedient and efficient services than those rendered by other PRC independent commercial banks. For example, in the event that the

Company considers that it is necessary to obtain loans from Inspur Finance in view of its actual business and financial needs, it is expected that the time required for the examination and approval of such loans will be shorter than that required by other PRC independent commercial banks; and

(3) By entering into the 2025 Framework Financial Services Agreement, the Company will be able to centralise its control and management over its financial resources, and therefore improve the utilisation and efficiency of fund usage. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation.

Our View

Based on our discussion with the Management, we understand that while the continuous engagement of Inspur Finance for its financial services by entering into the 2025 Framework Financial Services Agreement may seem to confine the Company's options of financial service providers, the cooperation between the Company and Inspur Finance under the 2025 Framework Financial Services Agreement is on non-exclusive basis with no restrictions on the Company's options to engage other financial service providers.

In additional, Inspur Finance will be engaged when the interest rates offered or the service fees charged by Inspur Finance are equivalent to or not less favorable than those offered by the People's Bank of China.

Taking into account different factors such as interest rates or service fees (where applicable), the Company may engage other financial service providers where the board and the management see fit. Therefore, the entering into of the 2025 Framework Financial Services Agreement allows the Company to access to one additional financial service provider and encourage other financial service providers to offer more competitive terms to the Group.

Upon our request, we understand that Inspur Finance has been providing various types of financial services (including the Deposits Services) to the Group since May 2020. Therefore, Inspur Finance understands well the financial needs of the Group and will be able to cater the financial needs of the Group more efficiently.

After taking into account the above factors, we concurred with the Directors' view that the terms of the 2025 Framework Financial Services Agreement (including the proposed annual caps and the services to be provided thereunder) are fair and reasonable and the 2025 Framework Financial Services Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from Independent Third Parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

3.4 INTERNAL CONTROL MEASURES ON THE 2025 FRAMEWORK FINANCIAL SERVICES AGREEMENT

We have also reviewed the internal control measures on the 2025 Framework Financial Services Agreement of the Group as follows, and we considered that such internal control measures are sufficient to ensure that the continuing connected transactions contemplated under the 2025 Framework Financial Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders in accordance with the pricing policies and the principles set out in the 2025 Framework Financial Services Agreement and in compliance with the Listing Rules.

Regarding the 2025 Framework Financial Services Agreement, the (a) interest rates for (i) the Deposit Services; and (ii) the Loan Facility Services; and (b) pricing terms for the Other Financial Services are arrived at after considering the interest rates and pricing terms charged or offered by other independent commercial banks or financial institutions in PRC for provision of similar services.

The Company has adopted the following monitoring and internal control measures to monitor the pricing standard and ensure the terms of the 2025 Framework Financial Services Agreement are fair and reasonable:

(I) Day-to-day management by the finance department of the Company

The finance department of the Company is responsible for the day-to-day management of the financial services contemplated under the 2025 Framework Financial Services Agreement, including but not limited to:

(a) preparing, adjusting and disseminating of budget for the financial services provided under the 2025 Framework Financial Services Agreement;

(b) supervising, reviewing and assessing the pricing standard, execution and implementation of the financial services provided under the 2025 Framework Financial Services Agreement;

(c) comparing interest rates for deposit and loan facilities, and the pricing terms for other financial services quoted from Inspur Finance with the terms from People's Bank of China to ensure that the most favourable terms are obtained from Inspur Finance;

(d) reviewing the market interest rates on a monthly basis with respect to the Deposit Services and Loan Facility Services;

(e) reviewing the quotations for the Other Financial Services on a monthly basis; and

(f) monitoring the balance of the deposits placed with Inspur Finance on a daily basis to ensure the maximum daily deposit balance will not exceed the proposed annual caps for the Deposit Services. The Company will put into place a threshold reporting system under which Inspur Finance will be required to alert the finance department of the Company upon the amount of bank deposit reaching the threshold of RMB1,000,000 or its multiple. In the event that the finance department anticipates that the balance of the deposits placed with

Inspur Finance will exceed the proposed annual caps for the Deposit Services, the Group will not deposit further amount with Inspur Finance so as to ensure the deposits placed with Inspur Finance will not exceed the existing annual cap or the proposed annual cap under the Deposit Services.

(II) Annual review by the Independent non-Executive Directors and the Auditor:

The Group will also comply with the annual review requirements in respect of the transactions contemplated under the 2025 Framework Financial Services Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

(a) the independent non-executive Directors shall annually review the transactions contemplated under the 2025 Framework Financial Services Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any event, no less favourable than the price offered to the Group by Independent Third Parties; and (iii) in accordance with the 2025 Framework Financial Services Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and

(b) the Company's auditor shall be engaged to annually report on the transactions contemplated under the 2025 Framework Financial Services Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; and (ii) were not, in material respects, consistent with the pricing policies adopted for the 2025 Framework Financial Services Agreement.

We have reviewed the internal control manual regarding the transactions contemplated under the 2025 Framework Financial Services Agreement. By adopting the policy set out above, we considered that the Company will be able to ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the highest deposit interest rates offered by the People's Bank of China in the same period and of the same type; and (ii) the interest rates for Loan Facility Services and the fees for the Other Financial Services to be charged by Inspur Finance shall not be higher than those charged by the People's Bank of China and (iii) the financial services under the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We also understand from the Management that the finance department of the Company will monitor the transactions contemplated under the 2025 Framework Financial Services Agreement as to, in particular and among others, the balance of the deposits placed with Inspur Finance on a daily basis to ensure the maximum daily deposit balance (including any interest accrued therefrom) will not exceed the proposed annual caps for the Deposit Services. Should the finance department of the Company be aware of potential violation of the proposed annual caps of the Deposit Services, they will refrain from placing further deposits to Inspur Finance in order to prevent the Group from exceeding the relevant annual caps, until the relevant requirements of the Listing Rules (if any) are complied with. Based on our discussion with the Management, the managers will also report to the senior management and Directors if the maximum daily deposit balance (including any interest accrued therefrom) approaches the respective annual caps.

For our due diligence purpose, we have obtained and reviewed (a) 6 randomly selected samples of historical depository services provided by Inspur Finance to the Group during the period from 1 January 2022 to 31 December 2024; and (b) 6 randomly selected samples of historical depository services provide by Independent Third Parties to the Group during the period from 1 January 2022 to 31 December 2024. Such aforesaid samples were selected on a random basis from the list of transactions in respect of the depository services with Inspur Finance and others Independent Third Parties covering the period from 1 January 2022 to 31 December 2024.

Given that (i) the Deposit Services between the Group and Inspur Finance is consistent throughout the period from 1 January 2022 to 31 December 2024; and (ii) the aforesaid samples are obtained on random basis; the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the Deposit Services between the Group and Inspur Finance, which allow us to assess and cross-check the transaction conditions between the Group and different Independent Third Parties, we are of the view that the abovementioned sample size are representative and adequate and sufficient for our assessment herein.

We have considered and noted that (i) the Company has adequate internal control procedures in respect of the 2025 Framework Financial Agreement as aforementioned, including both the pricing policy and the monitoring policy regarding the proposed annual caps therein; (ii) the documents including, but not limited to, (a) 6 randomly selected samples of historical depository services provided by Inspur Finance to the Group under the Framework Finance Services Agreement during the period from 1 January 2022 to 31 December 2024; (b) 6 randomly selected samples of historical depository services provide by Independent Third Parties to the Group during the period from 1 January 2022 to 31 December 2024, reviewed by us are consistent with the relevant internal control measures as aforementioned; and (iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

In view of the above, we consider that the terms of reference, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above and are sufficient to ensure fair and reasonable pricing of the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder, that the execution of the respective continuing connected transactions would be fair and reasonable and in the interests of the Group, and the respective proposed annual caps under the 2025 Framework Financial Services Agreement will be closely monitored and will not be exceeded.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Framework Agreement and the 2025 Framework Financial Services Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Framework Agreement and the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder (including the respectively proposed annual caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Framework Agreement and the 2025 Framework Financial Services Agreement and the transactions contemplated thereunder (including the respectively proposed annual caps).

Yours faithfully,
For and on behalf of
Draco Capital Limited

Kevin Choi
Managing Director

Leon Au Yeung
Director

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 13 and 11 years of experience in corporate finance industry, respectively.