

8 August 2025

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
MASTER SALE AND PURCHASE (2025-2028) AGREEMENT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Sale and Purchase (2025-2028) Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps (as defined below)), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the supplemental circular of the Company (the “**Circular**”) to the Shareholders dated 8 August 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 30 June 2025 (after trading hours), the Company entered into the Master Sale and Purchase (2025-2028) Agreement with Mr. FANG regarding sale of Yeebo Products by the Group to Fang Group and sourcing of Fang Group Products by the Group from Fang Group.

As at the Latest Practicable Date, Mr. FANG is a Director, and as such Mr. FANG is a connected person of the Company, and hence the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Sale and Purchase (2025-2028) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Master Sale and Purchase (2025-2028) Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the continuing connected transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, we were appointed as the independent financial adviser of the Company regarding a connected and discloseable transaction in relation to the acquisition of Suanova Smartmodel Limited as disclosed in the Company's circular dated 23 April 2025 (the "**IFA Engagement**"). Save for the IFA Engagement, we did not have any other relationship with or interests in the Company, the counterparties of the continuing connected transactions or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Furthermore, our remuneration for the IFA Engagement represented normal professional fees and did not affect our independence. Accordingly, we consider we are eligible to give independent advice on the Master Sale and Purchase (2025-2028) Agreement and the Proposed Annual Caps.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the AGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we reviewed included (i) the Master Sale and Purchase (2025-2028) Agreement; (ii) the calculation of the Proposed Annual Caps; (iii) correspondences between the Group and Fang Group; and (iv) the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any

form of in-depth investigation into the businesses and affairs or the prospects of the Company, the counterparties of the Master Sale and Purchase (2025-2028) Agreement or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Information on the parties

1.1 The Company and the Group

The Company is principally engaged in investment holding, and the Group is principally engaged in (i) the manufacture and sale of liquid crystal displays (LCDs), LCD modules (LCMs), Thin Film Transistor modules (TFTs) and Capacitive Touch Panel modules (CTPs) and (ii) providing AI compute and related services.

1.2 Mr. FANG

Mr. FANG is an executive Director and the chairman of the Board.

2. Background of the Group

2.1 Reasons for and benefits of entering into the Master Sale and Purchase (2025-2028) Agreement

As set out in the Letter from the Board, China is rapidly evolving into an AI “super market” with the application of frontier technology woven into the fabric of a wide range of sectors in its economy. The Chinese government pledges to support the extensive application of large-scale AI models and to vigorously develop new-generation intelligent terminals and smart manufacturing equipment. Accordingly, the rapid growth of AI industry in recent years has led to a rising demand for AIDC.

Since June 2023, the Group has undergone an expansion into AI compute and related businesses and has been taking steps to make significant studies in the emerging high-growth area. In this connection, the Group intends to trade, distribute and source Yeebo Products and sell to the Group’s customers including members of Fang Group. On the other hand, Fang Group intends to supply and sell computer servers and related systems and services to its customers including members of the Group.

Accordingly, via the Master Sale and Purchase (2025-2028) Agreement, on the one hand the Group may sell AIDC parts and components and related software to be sourced from third party suppliers as Yeebo Products to members of Fang Group, and on the other hand Fang Group may sell and provide computer servers and related systems and services as Fang Group Products, and the Group may depending on its business needs purchase any such Fang Group Products from Fang Group.

The Group will benefit from the Master Sale and Purchase (2025-2028) Agreement for (i) it will be able to grow its businesses with reasonable profit margins and (ii) it will be able to acquire the latest models of Fang Group Products for its use from Fang Group at fair and reasonable prices.

3. The Master Sale and Purchase (2025-2028) Agreement

3.1 Principal terms of the Master Sale and Purchase (2025-2028) Agreement

Major terms of the Master Sale and Purchase (2025-2028) Agreement are summarised below:

Subject matter & Major Terms

Sale of Yeebo Products

Each member of Fang Group may, at its absolute discretion, request to purchase Yeebo Products from members of the Group. If any member of Fang Group so requests or makes a written offer to any member of the Group to purchase from the Group any Yeebo Products, the Company may, at its absolute discretion, procure the relevant member of the Group to supply such Yeebo Products to the relevant member of Fang Group.

Sourcing of Fang Group Products

Each member of the Group may, at its absolute discretion, request to purchase its required Fang Group Products from members of Fang Group. Upon receiving purchase request from members of the Group, Mr. FANG may, at his absolute discretion, procure the relevant member of Fang Group to sell to the relevant member of the Group the required Fang Group Products.

General terms

The terms and conditions (including price and payment terms) of any sale and purchase conducted pursuant to the Master Sale and Purchase (2025-2028) Agreement shall be agreed between relevant member(s) of the Group and Fang Group in writing by

individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Sale and Purchase (2025-2028) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Subject to mutual agreement, the relevant member of the Group has the right to sell, resell or otherwise distribute Fang Group Products which it has acquired from the relevant member of Fang Group to any person at such price as such member of the Group may in its absolute discretion determine.

Term

The Master Sale and Purchase (2025-2028) Agreement has a term of commencing from 30 June 2025 or the Approval Date (whichever is later) to 31 March 2028 (both days inclusive).

Conditions precedent

The Master Sale and Purchase (2025-2028) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Sale and Purchase (2025-2028) Agreement, including but not limited to obtaining Independent Shareholders' approval at the AGM.

Pricing policy and basis of price determination

The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of Fang Group to the relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each individual agreement shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors including the fair market price ranges and pricing terms of products of identical, or (if that is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

Our view on pricing policy and basis of price determination

There is no historical transaction of the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement. Therefore, in assessing the fairness and reasonableness of the pricing basis, we have reviewed the internal control procedures (the "**Internal Control**") that the Company will put in place to regularly monitor the market

prices of Yeebo Products and Fang Group Products to ensure the proper determination of the unit selling price of Yeebo Products and Fang Group Products. According to the Internal Control, the Group will implement the following procedures.

- a. For Yeebo Products, the unit selling price will be determined with reference to the target price of identical, comparable or similar products the Group intends/manages to set for other customers together with the sourcing cost, the indicative range of selling prices/recommended retail price set by suppliers and the recommended markup rate based on the market research report to be obtained from independent adviser(s) such as professional market research firms and financial advisory and consulting firms, which can be obtained from the market or commissioned to be prepared half-yearly. The Group would only accept orders from Fang Group for the Sale of Yeebo Products if Fang Group offers terms of purchase that are no less favourable to the Group than those offered by Independent Third Parties for identical, comparable or similar products (as the case may be) (if available). If there are no similar or comparable offers from Independent Third Parties, Yeebo Products offered to Fang Group will be sold within a range of recommended markup rates as set out in the market research report. This mechanism ensures that the selling price of Yeebo Products will be aligned with the market price of comparable products sold to independent customers. In the case when such a market price is not available, the selling price of Yeebo Products will instead be determined based on a profit margin comparable to market standards, as outlined in an independent market report obtained at least half-yearly and prior to the entering into an individual agreement for Yeebo Products. As part of the Internal Control procedures, this pricing mechanism will be executed by the sales department of the Group, reviewed and approved by the respective managers of the finance and legal departments of the Group, thereby ensuring proper segregation of duties and effective oversight. Based on the above, we consider that the Internal Control ensures that the pricing policy under the Master Sale and Purchase (2025-2028) Agreement is conducted on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties.
- b. For Fang Group Products, the procurement department of the Group will obtain and compare prices of similar or comparable products offered by not less than two Independent Third Party suppliers (if available). If there are no similar or comparable products from Independent Third Party suppliers, the procurement department of the Group will obtain quotation information on the sale of Fang Group Products by Fang Group to Independent Third Parties from Fang Group to ensure that the unit selling prices of Fang Group Products offered by Fang Group to the Group shall be not higher than those offered by Fang Group to Independent Third Parties. This pricing mechanism ensures that the selling price of Fang Group Products will be comparable to the market price of similar products offered by Independent Third Party suppliers or shall be not higher

than those offered by Fang Group to Independent Third Parties. As part of the Internal Control procedures, this pricing mechanism will be executed by the procurement department of the Group, reviewed and approved by the respective managers of the finance and legal departments of the Group, thereby ensuring proper segregation of duties and effective oversight. Based on the above, we consider that the Internal Control ensures that the pricing policy under the Master Sale and Purchase (2025-2028) Agreement is conducted on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties.

Based on the above, we consider that the Internal Control can ensure that the unit selling prices of Yeebo Products and Fang Group Products are determined on terms no less favourable to the Group than those offered by the Independent Third Parties. Therefore, we consider that the terms of the Master Sale and Purchase (2025-2028) Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3.2 Fairness and reasonableness of the Proposed Annual Caps

Proposed Annual Caps

The table below sets out the proposed annual caps for (i) Sourcing of Fang Group Products and (ii) Sale of Yeebo Products pursuant to the Master Sale and Purchase (2025-2028) Agreement for the eight months ending 31 March 2026 (“**8M2026**”), the year ending 31 March 2027 (“**FY2027**”) and 2028 (“**FY2028**”) (collectively the “**Proposed Annual Caps**”):

	8M2026	FY2027	FY2028
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sourcing of Fang Group Products	210,000	410,000	410,000
Sale of Yeebo Products	450,000	460,000	480,000

Note: For the avoidance of doubt, the above Proposed Annual Caps are exclusive of tax.

As set out in the Letter from the Board, the Proposed Annual Caps for Sourcing of Fang Group Products were determined based on (i) the Group’s estimated demand for Fang Group Products for the three years ending 31 March 2028, with reference to the Group’s estimated capital expenditure on the expansion of the Group’s AIDC business and expected market demands for the Group’s products and services; (ii) the expected unit prices of Fang Group Products for the three years ending 31 March 2028; and (iii) a buffer for fluctuation of market prices and change in specifications.

The Annual Caps for Sale of Yeebo Products were determined based on (i) Fang Group's estimated demand for Yeebo Products for the three years ending 31 March 2028; (ii) the expected unit prices of Yeebo Products for the three years ending 31 March 2028; and (iii) a buffer for fluctuation of market prices and change in specifications.

In our assessment of the fairness and reasonableness of the Proposed Annual Caps, we have reviewed and discussed with management of the Group on the underlying calculation. From our review of the aforesaid calculation and discussion with management of the Company, we have taken into consideration the following:

Sourcing of Fang Group Products

In determining the estimated purchase volumes of Fang Group Products for 8M2026, FY2027 and FY2028, the Group has considered the business plan for the respective periods. As explained under the paragraph headed "Reasons for and benefits of entering into the Master Sale and Purchase (2025-2028) Agreement" above, the Group has undergone an expansion into AI compute and related businesses and has been taking steps to make significant studies in the emerging high-growth area since 2023.

Fang Group Products are mainly condensed computer servers with advanced powerful computing capacity to store, manage, and process massive amounts of data in high-speed and with high-performance to support the AIDC business of the Group. Computer servers built with GPUs (which are specialised processors developed to accelerate graphics rendering and for many types of heavy parallel computation tasks) are the core building blocks of AIDC market, providing the computing power, storage, and connectivity required for AI workloads. Currently the Group operates over 3,000 GPU card clusters across AIDCs in Hong Kong and Shanghai. The key clients span both industries and research institutions, including Tsinghua University, Fudan University, Shanghai Jiaotong University, Shanghai Artificial Intelligence Laboratory, Institute for Advanced Algorithms Research, Shanghai, and Hong Kong Broadband Network. Given that the Group only began expanding into AIDC in mid-2023, it has grown over the past two years and is now operating over 3,000 GPU card clusters. Based on such historical expansion pace, the Group expects to expand approximately 1,300 GPU card clusters for 8M2026 and 2,600 GPU card clusters for each of FY2027 and FY2028 depending on its business needs. The China AIDC market is poised for exceptional growth in the coming years, fuelled by rapid adoption of AI-driven applications, digitization across manufacturing and logistics, and substantial investments in digital infrastructure. According to Grand View Research (<https://www.grandviewresearch.com/horizon/outlook/ai-data-center-market/china>), China's AI data center market is forecast to expand from US\$1,075.6 million in 2024 to US\$5,902.8 million by 2030, reflecting an impressive compound annual growth rate of 32.9% from 2025 to 2030, with hardware demand (particularly AI servers) leading the surge. Supporting publications such as:

- Mordor Intelligence (<https://www.mordorintelligence.com/industry-reports/china-artificial-intelligence-ai-data-center-market>); and

- ResearchAndMarkets.com (<https://www.researchandmarkets.com/reports/5239532/china-data-center-market-share-analysis>)

consistently highlight China as the Asia-Pacific region's fastest-growing AIDC market, driven by government industry policy, e-commerce demand, and accelerated digital transformation initiatives. Given the strong growth prospects of the AIDC market, we believe it is reasonable for the Group to expect to achieve rapid expansion in this sector. Therefore, we consider that the Group's business expansion plan provides a reasonable basis for projecting the purchase volumes of Fang Group Products in the Proposed Annual Caps.

The unit selling price of Fang Group Products for 8M2026 is determined based on preliminary quotation from Fang Group. To assess the reasonableness of the quotation provided by Fang Group, the Company has made reference to indicative price of products with similar specifications (mainly in terms of number of GPUs) of independent suppliers. We have reviewed the price indication correspondences from independent suppliers, and note that AI computer models with different number of GPUs have different price range and the model with the same GPUs as the Fang Group Products offer comparable pricing to the preliminary quotation from Fang Group. Therefore, we consider the quotation from Fang Group provides a reasonable basis for estimating the selling price. The Company has assumed the unit selling prices to remain unchanged for FY2027 and FY2028 for prudence sake.

In preparing the projection of annual caps, a buffer (the "**Fang Group Buffer**") of approximately 8%, 5% and 5% is included in the Proposed Annual Caps for Sourcing of Fang Group Products for 8M2026, FY2027 and FY2028, respectively to provide for flexibility to cater for the expected significant growth of the AIDC hardware segment in the PRC and as a safety net for unexpected demand. A detailed analysis of the Fang Group Buffer is discussed below.

Sale of Yeebo Products

The Group estimated the sales volumes of Yeebo Products based on the projection of 6,600, 6,800 and 7,000 GPU cards for 8M2026, FY2027 and FY2028 respectively, provided by Fang Group, which we consider is a reasonable basis for estimation. To the best knowledge of the Company, Fang Group takes into account various factors, including indicative demand from potential customers, such as the Group itself, which is proactively expanding into AI compute and related fields, alongside the Group's intensified investments and initiatives aimed at becoming a key player in China AI market. Fang Group also accounts for the anticipated surge in demand for AIDC products stemming from the rapid growth and emerging trends in China's AI sector. This growth is being propelled by government efforts to broadly promote large-scale AI models, smart terminals, and intelligent manufacturing. Additionally, Fang Group evaluates the potential competitive landscape as part of its overall projection strategy.

As there is no historical transaction of Sale of Yeebo Products and the Group has yet to set the selling price of these products (which will only be set when the products are launched to the market with reference to then market conditions), for the sole purpose of determining the Proposed Annual Caps, the unit selling price of Yeebo Products is estimated based on a “cost plus margin” formula. Costs of Yeebo Products for 8M2026 are estimated based on quotation from independent supplier of the products whereas the margin (which is equivalent to gross profit margin of the products) is estimated based on the Company’s best knowledge of market rates (the “**Fixed Gross Margin**”). The Company has assumed the unit selling prices to remain unchanged for FY2027 and FY2028 for prudence sake.

We have reviewed the quotation from the independent supplier and note that the price is consistent with that adopted in arriving at the Proposed Annual Caps.

Yeebo Products are broadly categorised as artificial intelligence data centre (AIDC) parts and components and related software. Sale of Yeebo Products under the Master Sale and Purchase (2025-2028) Agreement is regarded as distribution of AIDC parts and components and related software. Therefore, to determine whether the unit selling price of Yeebo Products is reasonable, we have assessed whether the Fixed Gross Margin applied by the Company in determining the Proposed Annual Caps for Yeebo Products is reasonable. In this regard, we have conducted research on the gross profit margins of listed companies which are engaged in the trading and distribution of intelligence data centre hardware and software (the “**Margin Comparables**”). The Margin Comparables were selected for our analysis because Sale of Yeebo Products are also considered distributions of AIDC products. This reflects the same business activities undertaken by the Margin Comparables. The Margin Comparables consist of major distributors of AIDC parts and components, as well as hardware and related software, which are major products in the AIDC market. As there is no evidence to suggest that profit margins derived from distributing AIDC parts and components differ substantially with the distribution of hardware and related software products, the Margin Comparables offer a fair and representative basis for benchmarking the gross profit margins typically adopted by AIDC distributors in the market. The result of our findings is set out in the table below.

Name of company and stock code	Principal business	Market capitalisation (US\$' million)	Gross profit margin
VSTECs Holdings Limited (856.HK)	Distributor of AI servers, storage, networking and GPUs	1,701	4.4%
Digital China Holdings Limited (861.HK)	A major information technology ("IT") and enterprise hardware distributor	652	13.8%
Digital China Group Co., Ltd (000034.CH)	A major distributor of IT hardware (servers, storage, networking) and software	3,939	4.2%
TD SYNnex Corporation (SNX US)	A leading global distributor and solutions aggregator for the IT ecosystem (including servers, GPUs, networking, enterprise IT)	11,724	6.8%

Name of company and stock code	Principal business	Market capitalisation (US\$' million)	Gross profit margin
Arrow Electronics, Inc. (ARW US)	A major global distributor of data centre, enterprise hardware and electronics	5,980	11.8%
Avnet, Inc. (AVT US)	A leading global electronic component technology distributor and solutions	4,406	11.6%
ScanSource, Inc. (SCSC US)	A leading hybrid distributor connecting devices to the cloud across hardware, Software as a Service, connectivity and cloud	875	12.2%
WESCO International, Inc. (WCC US)	A leading distributor of electrical and data centre/IT infrastructure	10,174	21.6%
ePlus inc. (PLUS US)	A leading provider of technology solutions across the IT spectrum spanning security, cloud, data center, networking, collaboration, AI, service provider and critical infrastructure, and emerging solutions	1,712	27.5%
Dicker Data Limited (DDR AU)	A distributor of IT hardware, software, cloud, access control, surveillance and emerging technologies	1,041	14.6%
ALSO Holding AG (ALSN SW)	A leading European distributor of IT operation solutions including servers, networking, cloud and central processing units	3,876	7.3%
Bechtle AG (BC8 GR)	The largest German IT distributor of data centre, e-commerce and enterprise hardware	5,102	18.1%
Redington Limited (REDI IN)	One of India's top distributors of information technology, mobility, and other technology products including servers, GPUs and enterprise IT	2,242	11.6%
		Minimum	4.2%
		Maximum	27.5%
		Median	11.8%
		Average	12.7%
The Company			12.5%

We note from the table above that the gross profit margins of the Margin Comparables range from approximately 4.2% to approximately 27.5%, with an average of approximately 12.7%. Despite the wide profit margin range observed, we do not consider there is any outlier that we should exclude from our analysis as all the Margin Comparables are principally engaged in the distribution of AIDC products and there is no objective, analytical reason to believe certain companies are fundamentally different from the Margin Comparables being selected. We note that the Fixed Gross Margin adopted by the Group in estimating the Proposed Annual Caps for the Sale of Yeebo Products is comparable with the average of the Margin Comparables, which we consider fair and reasonable. However, we have excluded the Company, which had a consolidated gross profit margin of approximately 12.5% for the year ended 31 March 2025 (“FY2025”) and a market capitalization of approximately HK\$2,165 million as at the Latest Practicable Date, from our analysis because over 90% of the Group’s revenue for FY2025 were generated from the Displays business, which is not related to the AIDC market.

In preparing the projection of annual caps, a buffer (the “**Yeebo Buffer**”) of approximately 4%, 3% and 5% is included in the Proposed Annual Caps for Sale of Yeebo Products for 8M2026, FY2027 and FY2028, respectively to provide for flexibility to cater for the expected significant growth of the AIDC hardware segment in the PRC and as a safety net for unexpected demand. A detailed analysis of the Yeebo Buffer is discussed below.

The Fang Group Buffer and the Yeebo Buffer

The Company applied the Fang Group Buffer and the Yeebo Buffer to accommodate market and price fluctuations and/or unexpected increase in demand for the Fang Group Products and the Yeebo Products, respectively. The Fang Group Buffer and the Yeebo Buffer fall within a narrow range of 3% to 8% with a slightly larger buffer (i.e. the Fang Group Buffer) to account for the greater uncertainty and risk in system-level sales in AI computer sales projection (i.e. the Fang Group Products) compared to the more broadly demanded GPU chips (i.e. the Yeebo Products). AI computers are complex systems, and demand can shift rapidly as new models or requirements emerge, or as software frameworks change. This variability justifies the Fang Group Buffer being higher than the Yeebo Buffer. As discussed with the management of the Company, AIDC hardware segment (which includes AIDC parts and components) in China is expected to experience significant growth. Consequently, the estimated transaction amounts for the Sourcing of Fang Group Products and the Sale of Yeebo Products may deviate from the original estimation significantly.

According to Horizon Grand View Research, the China AIDC market is projected to grow rapidly, from US\$1,075.6 million in 2024 to US\$5,902.8 million by 2030, reflecting a compound annual growth rate of 32.9% from 2025 to 2030. Given the rapid growth of the AIDC sector, we consider the application of the Fang Group Buffer and the Yeebo Buffer to accommodate potential additional demand to be justifiable.

In considering whether it is a market practice to include a buffer in annual caps set for continuing connected transactions, we conducted research on the range of buffer incorporated into the annual caps of continuing connected transactions relating to sales and purchase of products by companies listed on the main board of the Stock Exchange, as extracted from their respective circulars to shareholders published since 1 January 2025. We noted that the buffer percentage ranges from 3% to 25%, with an average and mean of 11% and median of 10% (the “**Buffer Range**”).

Although these continuing connected transactions involve the sale or purchase of a wide range of materials/products/services to/from their connected persons and none of them specifically relates to computer servers and related systems and services (i.e. the Fang Group Products) or the sale and purchase of AIDC hardware and software (i.e. the Yeebo Products), the relevance of the Buffer Range lies in its role as a market reference for determining whether the buffers applied to the annual caps of Fang Group Products and Yeebo Products are reasonable. The Buffer Range represents the typical percentage cushion that is built into annual caps of continuing connected transactions in the market, even when the underlying products or services differ from those of Fang Group Products and Yeebo Products. By analysing a broad set of market transactions, the Buffer Range reflects general market practice for managing uncertainties such as unforeseen increases in demand, price fluctuations, or unexpected operation needs that may cause actual transaction amounts to deviate from original estimates. Although the Buffer Range is based on transactions unrelated to Fang Group Products and Yeebo Products, it serves as a reference point to assess whether the Fang Group Buffer and the Yeebo Buffer are in line with market practice. In this context, given that (i) the China AIDC market is projected to grow rapidly with an estimated compound annual growth rate of 32.9% from 2025 to 2030, we consider it is reasonable to include a buffer in the Proposed Annual Caps as the transaction amounts for the Sourcing of Fang Group Products and the Sale of Yeebo Products may deviate from the original estimation significantly; and (ii) as a reference, we note that despite the high growth of the AIDC market which warrants a higher buffer, the Fang Group Buffer and the Yeebo Buffer are set at a moderate level of 3% to 8% and are both within the Buffer Range and lower than the average buffer, which indicates that their buffers are not excessive. We therefore consider them to be reasonable.

Our view

Based on the factors, reasons and our analysis explained above and our review of the underlying calculation of the Proposed Annual Caps from the Company, we concur with the Directors’ view that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to set the Proposed Annual Caps for the Sourcing of Fang Group Products and the Sale of Yeebo Products at their respective proposed levels. However, as the Proposed Annual Caps relate to future events and are based on assumptions that may or may not remain valid for the whole period up to 31 March 2028, we express no opinion as to how closely the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement shall correspond to the Proposed Annual Caps.

3.3 *Internal control measures*

The Internal Control procedures for the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement are set out in the Letter from the Board. We note that:

- a. For Yeebo Products, the unit selling price will be determined with reference to the target price of identical, comparable or similar products the Group intends/manages to set for customers together with the sourcing cost, the indicative range of selling prices/recommended retail price set by suppliers and the recommended markup rate based on the market research report to be obtained from independent adviser(s) such as professional market research firms and financial advisory and consulting firms, which can be obtained from the market or commissioned to be prepared half-yearly. The Group would only accept orders from Fang Group for the Sale of Yeebo Products if Fang Group offers terms of purchase that are no less favourable to the Group than those offered by Independent Third Parties for identical, comparable or similar products (as the case may be) (if available). If there are no similar or comparable offers from Independent Third Parties, the Yeebo Products offered to Fang Group will be sold within a range of recommended markup rates as set out in the market research report. This mechanism ensures that the selling price of Yeebo Products will be aligned with the market price of comparable products sold to independent customers. In the case when such a market price is not available, the selling price of Yeebo Products will instead be determined based on a profit margin comparable to market standards, as outlined in an independent market report obtained at least half-yearly and prior to the entering into an individual agreement for Yeebo Products. As part of the Internal Control procedures, this pricing mechanism will be executed by the sales department of the Group, reviewed and approved by the respective managers of the finance and legal departments of the Group, thereby ensuring proper segregation of duties and effective oversight. Based on the above, we consider that the Internal Control ensures that the pricing policy under the Master Sale and Purchase (2025-2028) Agreement is conducted on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties.

For Fang Group Products, the procurement department of the Group will obtain and compare prices of similar or comparable products offered by not less than two Independent Third Party suppliers (if available). If there are no similar or comparable products from Independent Third Party suppliers, the procurement department of the Group will obtain quotation information on the sale of Fang Group Products by Fang Group to Independent Third Parties from Fang Group to ensure that the unit selling prices of Fang Group Products offered by Fang Group to the Group shall not be higher than those offered by Fang Group to Independent Third Parties. This pricing mechanism ensures that the selling price of Fang Group Products will be comparable to the market price of similar products offered by Independent Third Party suppliers or shall be not higher than those offered by Fang Group to Independent Third Parties. As part of the Internal Control procedures, this

pricing mechanism will be executed by the procurement department of the Group, reviewed and approved by the respective managers of the finance and legal departments of the Group, thereby ensuring proper segregation of duties and effective oversight. Based on the above, we consider that the Internal Control ensures that the pricing policy under the Master Sale and Purchase (2025-2028) Agreement is conducted on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties.

- b. The finance department of the Group would monitor on a monthly basis the continuing connected transactions carried out during the month and confirm the utilisation status of the annual caps to ensure that the Group still has sufficient room under the annual caps for carrying out the relevant continuing connected transactions. The Group will also set up periodic and quarterly targets for Sourcing of Fang Group Products and Sale of Yeebo Products respectively, from which it could project the approximate amount of sales and purchase with Fang Group. The Group will monitor the utilisation rate of the annual caps with reference to the projected transaction amounts and if it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions as projected, the Company would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules, including but not limited to revising the relevant annual caps before entering into the proposed transactions. This mechanism enables the Group to monitor and report the status of the annual caps effectively on a regular basis so that necessary action can be taken before annual caps are exceeded.

Our view

Based on the above, we consider that the Internal Control is sufficient and effective to ensure that (i) the unit selling prices of Yeebo Products and Fang Group Products are determined on normal commercial terms and on terms no less favourable to the Group than those offered by the Independent Third Parties; and (ii) the Proposed Annual Caps will not be exceeded (or if it is expected to be exceeded, the Company will consider measures to be taken in a timely manner, which include restricting the amount of the continuing connected transactions or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules).

4. REQUIREMENTS BY THE LISTING RULES REGARDING THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Master Sale and Purchase (2025-2028) Agreement and the transactions contemplated thereunder and confirm in the annual report that the Master Sale and Purchase (2025-2028) Agreement and the transactions contemplated thereunder have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the Master Sale and Purchase (2025-2028) Agreement and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement:
 - has not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) under the Master Sale and Purchase (2025-2028) Agreement; and
 - have exceeded the Proposed Annual Caps.
- (c) the Company must allow, and ensure that the relevant counterparties to the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement allow, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the

Company cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

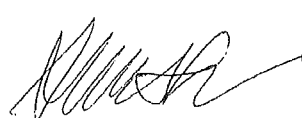
In light of the reporting requirements attached to the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement, in particular, (i) the restriction of the value of the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the Master Sale and Purchase (2025-2028) Agreement and safeguard the interests of the Company and the Shareholders as a whole.

CONCLUSION AND RECOMMENDATION

Based on our analysis and work done set out above, we consider that the entering into of the Master Sale and Purchase (2025-2028) Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps) are on normal commercial terms, fair and reasonable, 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 advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM in relation to the Master Sale and Purchase (2025-2028) Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Ballas Capital Limited



Alex Lau
Managing Director

Heidi Cheng
Managing Director

Note: Both Mr. Alex Lau and Ms. Heidi Cheng of Ballas Capital Limited have been responsible officers of Type 6 (advising on corporate finance) regulated activity since 2003.