



28 November 2025

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO DEEMED DISPOSAL AND DISPOSAL OF EQUITY INTEREST IN
AN INDIRECT NON WHOLLY-OWNED SUBSIDIARY; AND
(2) POST-COMPLETION CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Injection Agreement, Equity Transfer Agreements and the Technical Services Procurement Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 28 November 2025 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

On 20 October 2025 (after trading hours), amongst others, the Company, Mr. Chen, the Vendor, the Target Company, Xuantong Tongda and Xuantong Tonghe, entered into the Capital Injection Agreement and Equity Transfer Agreements, pursuant to which, (i) Mr. Chen agreed to inject RMB20,000,000 to the Target Company as its new registered capital; (ii) The Vendor agreed to sell approximately 16.67% and 20.0% of the total registered capital of the Target Company to Xuantong Tongda and Xuantong Tonghe at considerations of RMB5,000,000 and RMB6,000,000, respectively. Upon Completion, the registered capital of the Target Company will be increased from RMB30,000,000 to RMB50,000,000, which will be owned as to (i) 40.0% by Mr. Chen; (ii) 20.0% by the Vendor; (iii) 10.0% by Xuantong Tongda; (iv) 12.0% by Xuantong Tonghe; and (v) 18.0% by the other shareholders. Following Completion, the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group and will become an associate of the Mr. Chen.

As at the Latest Practicable Date, Mr. Chen is a Director, and, after the termination of the AIC Agreement on 27 October 2025, indirectly controls approximately 26.15% (the percentage is calculated based on the number of issued Shares of the Company, excluding its treasury shares) of the voting rights in the Company, he is a Substantial Shareholder and therefore a connected person of the Company. The transaction contemplated under the Capital Injection Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios for the transactions contemplated under the Capital Injection Agreement and Equity Transfer Agreements on an aggregated basis are more than 5% but less than 25%, the Equity Transfer and the Capital Injection are subject to (i) the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the Target Company will no longer be consolidated into the consolidated financial statements of the Group and will become an associate Mr. Chen, and thus a connected person as defined in Chapter 14A of the Hong Kong Listing Rules. Therefore, the transactions contemplated Technical Services Procurement Framework Agreement under will constitute continuing connected transactions under Chapter 14A of the Listing Rules. The transactions contemplated under the Technical Services Procurement Framework Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratio (other than the profits ratio) for the highest annual cap in respect of the Technical Services Procurement Framework Agreement exceeds 5% and the total consideration is not less than HK\$10,000,000, the transactions contemplated under the Technical Services Procurement Framework Agreement shall be subject to annual review, annual reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Capital Injection Agreement and the Equity Transfer Agreements; and (ii) the Technical Services Procurement Framework Agreement (together with the proposed annual caps), and the transactions contemplated thereunder. Mr. Chen is a Director and a Substantial Shareholder, he is therefore a connected person of the Company. Mr. Chen beneficially owns more than 30% of the interest in each of Zhenghao Global, Guangzhou Xuandong, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei. Therefore, Mr. Chen, Zhenghao Global, Guangzhou Xuandong, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei are required to abstain from voting on the resolutions in relation to (i) the discloseable and connected transactions under the Capital Injection Agreement and the Equity Transfer Agreements; and (ii) transactions contemplated under the Technical Services Procurement Framework Agreement (together with the proposed annual caps) at the EGM. An acting in concert agreement (the “**AIC Agreement**”) was entered into on 13 July 2015 and renewed on 17 August 2021 by Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide and Double Winner (collectively, the “**AIC Parties**”). Pursuant to the AIC Agreement, each of the AIC Parties shall act in concert in exercising their voting rights in general meetings of the Company. The AIC Agreement has subsequently been terminated on 27 October 2025. Therefore, Mr. Huang, Mr. Li, Honghan Worldwide and Double Winner will voluntarily abstain from the aforementioned resolutions.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Du Jianqing, Ms. Wu Ruifeng and Prof. Wu Jintao, has been established to consider and advise the Independent Shareholders as to whether the terms of (i) the Capital Injection Agreement and the Equity Transfer Agreements; and (ii) the Technical Services Procurement Framework Agreement (together with the proposed annual caps), and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, Mr. Chen, any AIC Parties under the AIC Agreement which has been terminated on 27 October 2025, Xuandong Tongda, Xuandong Tonghe or their respective associates, close associates or core connected persons and, accordingly, are considered eligible to give independent advice on the Capital Injection Agreement, Equity Transfer Agreements and the Technical Services Procurement Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Mr. Chen, any AIC Parties under the AIC Agreement which has been terminated on 27 October 2025, Xuandong Tongda, Xuandong Tonghe or their respective core associates, close associates or core connected persons.

In formulating our advice and recommendation, we have reviewed, among others, (i) announcement of the Company dated 20 October 2025 in relation to, among others, the Capital Injection Agreement, Equity Transfer Agreements and the Technical Services Procurement Framework Agreement, (ii) the annual reports of the Company for the years ended 31 December 2023 (the “**2023 Annual Report**”) and 2024 (the “**2024 Annual Report**”) and interim report for the six months ended 30 June 2025 (the “**2025 Interim Report**”), and (iii) other information contained in the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the “**Management**”) and the respective professional advisers of the Company and have assumed that they are true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Capital Injection Agreement, Equity Transfer Agreements and the Technical Services Procurement Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the parties involved

1.1 Information of the Group

The Group principally engages in the provision of PaaS, SaaS and intelligent customer relationship management (“CRM”) services in the PRC. The Company was incorporated in Cayman Islands, whose shares are listed on the main board of the Stock Exchange since 8 July 2022.

The Vendor is a wholly-owned subsidiary of the Company which was incorporated in the PRC with limited liability. It principally engages in investment holding.

Financial performance of the Group

Set out below is the summary of the financial information of the Group for the years ended 31 December 2023 and 2024, and the six months ended 30 June 2024 and 2025 as extracted from the 2024 Annual Report and the 2025 Interim Report:

	For the year ended 31 December		For the six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
— Revenue from CRM PaaS services (“PaaS”)	690,291	419,410	282,411	165,951
— Revenue from CRM SaaS services (“SaaS”)	590,985	731,867	365,058	244,956
	<u>1,281,276</u>	<u>1,151,277</u>	<u>647,469</u>	<u>410,907</u>
Gross profit	204,649	209,777	101,249	74,950
Operating (losses)/gains	(68,901)	2,872	(4,106)	(26,968)
(Losses)/Profit for the year/period attributable to owners of the Company	<u>(72,364)</u>	<u>6,914</u>	<u>(6,444)</u>	<u>(25,874)</u>

For the six months ended 30 June 2024 and 2025

For the six months ended 30 June 2025, the Group's total revenue had a decrease of approximately 36.5% to approximately RMB410.9 million from approximately RMB647.5 million for the six months ended 30 June 2024. As disclosed in the 2025 Interim Report, such decrease was primarily due to the impact of regulatory policy adjustments in the domestic telecommunications industry, resulting in a decline in domestic revenue from the PaaS services and certain SaaS services. The Group's revenue from PaaS decreased by approximately 41.2% to approximately RMB166.0 million for the six months ended 30 June 2025 from approximately RMB282.4 million for the six months ended 30 June 2024, primarily due to the impact of regulatory policy adjustments in the domestic telecommunications industry. The Group's revenue from SaaS decreased by approximately 32.9% to approximately RMB245.0 million for the six months ended 30 June 2025 from approximately RMB365.1 million for the six months ended 30 June 2024, primarily due to the Company's proactive reduction of lossmaking projects, which aligns with the Company's strategic focus on expanding CRM SaaS services and targeting high-gross-margin businesses.

The Group's overall gross profit decreased by approximately 26.0% to approximately RMB75.0 million for the six months ended 30 June 2025 from approximately RMB101.2 million for the six months ended 30 June 2024, while its overall gross profit margin increased from approximately 15.6% to approximately 18.2%. The increase in gross profit margin was mainly due to the increase in gross profit margin in SaaS from approximately 23.1% for the six months ended 30 June 2024 to approximately 26.5% for the six months ended 30 June 2025.

For the six months ended 30 June 2025, the Group recorded a loss attributable to owners of the Company of approximately RMB25.9 million, while the loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately RMB6.4 million, which was primarily due to the strengthened regulation of the telecommunications industry in the first half of 2025, which resulted in a corresponding decrease in sales of the Group's PaaS and certain SaaS.

For the two years ended 31 December 2023 and 2024

For the year ended 31 December 2024, the Group's total revenue decreased by approximately 10.1% to approximately RMB1,151.3 million as compared to approximately RMB1,281.3 million for the year ended 31 December 2023. As disclosed in the 2024 Annual Report, such decrease was mainly attributable to the proactive reduction of businesses with low gross margins. The Group's revenue from PaaS decreased by approximately 39.2% to approximately RMB419.4 million for the year ended 31 December 2024 as compared to approximately RMB690.3 million for year ended 31 December 2023, primarily due to the Company's proactive reduction of businesses with low gross profit margins. The Group's revenue from SaaS increased by approximately 23.8% to approximately RMB731.9 million for the year ended 31

December 2024 as compared to approximately RMB591.0 million for the year ended 31 December 2023, primarily due to the (i) increase in clients' demand for its SaaS; (ii) enhanced functionality of its solution; and (iii) increase in number of its core clients and the average revenue per user for its SaaS.

The Group's overall gross profit increased by approximately 2.5% to approximately RMB209.8 million for the year ended 31 December 2024 as compared to approximately RMB204.6 million for the year ended 31 December 2023, while its overall gross profit margin increased from approximately 16.0% to approximately 18.2%. The gross profit margin in PaaS increased to approximately 6.3% for the year ended 31 December 2024 as compared to that of approximately 5.0% for the year ended 31 December 2023, primarily due to the reduction of businesses with low gross profit margins. The gross profit margin in SaaS decreased to approximately 25.1% for the year ended 31 December 2024 as compared to that of approximately 28.8% for the year ended 31 December 2023, mainly attributable to the changes in the revenue composition within this segment.

The Group recorded a profit attributable to owners of the Company of approximately RMB6.9 million for the year ended 31 December 2024, compared with a loss attributable to owners of the Company of approximately RMB72.4 million for the year ended 31 December 2023, which was mainly attributable to (i) the Group's strategic emphasis on expanding SaaS with higher gross profit margins, thereby driving an increase in both overall gross profit and gross profit margins as SaaS expanded; and (ii) the implementation of effective cost control measures, which reduced sales and distribution expenses as well as administrative expenses.

Financial position of the Group

Set out below is the summary of the financial position of the Group as at 31 December 2023 and 2024, and 30 June 2025 as extracted from the 2024 Annual Report and the 2025 Interim Report:

	As at 31 December		As at
	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Total assets	691,016	633,808	624,742
Total liabilities	351,996	305,739	325,273
Total equity attributable to owners of the Company	335,965	331,621	306,665

As at 30 June 2025, the Group's total assets amounted to approximately RMB624.7 million, mainly comprised of (i) trade, bill, other receivables and prepayments of approximately RMB485.9 million, mainly includes trade receivables of approximately RMB262.5 million and prepayments to suppliers of approximately RMB208.7 million; (ii) cash and cash equivalents of approximately RMB94.6 million; (iii) intangible assets of approximately RMB13.6 million; and (iv) contract fulfilment costs of approximately RMB11.1 million.

As at 30 June 2025, the Group's total liabilities amounted to approximately RMB325.3 million, mainly comprised of (i) borrowings of approximately RMB143.6 million; and (ii) trade, bill and other payables of approximately RMB112.0 million; and (iii) contract liabilities of approximately RMB62.2 million.

As at 30 June 2025 and 31 December 2024, the Group's total equity attributable to owners of the Company amounted to approximately RMB306.7 million and RMB331.6 million, respectively, mainly as a result of the increase in accumulated losses.

1.2 Information of parties involved in the Capital Injection and Equity Transfer

Mr. Chen

Mr. Chen is an executive Director and the chairman of the Company. Mr. Chen ceased to be the Controlling Shareholder after the termination of the AIC Agreement on 27 October 2025, and has become a Substantial Shareholder, indirectly controlling approximately 26.15% (the percentage is calculated based on the number of issued shares of the Company, excluding its treasury shares) of the voting rights in the Company.

Xuantong Tongda

Xuantong Tongda is a limited partnership established in the PRC and an investment holding company. Xuantong Tongda principally engages in investment holding. The ultimate beneficial owner of Xuantong Tongda is Ms. Lin Yueying. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xuantong Tongda and its ultimate beneficial owner are Independent Third Parties.

Xuantong Tonghe

Xuantong Tonghe is a limited partnership established in PRC and an investment holding company. Xuantong Tonghe principally engages in investment holding. The ultimate beneficial owner of Xuantong Tonghe is Ms. Deng Hailing. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xuantong Tonghe and its ultimate beneficial owner are Independent Third Parties.

1.3 Information of the Target Company

The Target Company is a limited liability company established in the PRC. As of the Latest Practicable Date, it is an indirect non wholly-owned subsidiary of the Company and is held as to 70% by the Vendor. Its principal business is provision of sales cloud services, encompassing the provision of comprehensive sales management solutions to customers by introducing a streamlined operation model and automated workflow to customers' sales management cycle, and also implementation services to customers.

Set out below is the audited financial information for the period from 31 January 2024 (date of incorporation) to 31 December 2024 and the unaudited financial information for the eight months ended 31 August 2025 of the Target Company:

	From 31 January 2024 (date of incorporation) to 31 December 2024	For the eight months ended 31 August 2025
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Turnover	80,712	39,793
Net loss before tax	(23,330)	(14,444)
Net loss after tax	(23,330)	(14,444)

As advised by the management of the Company, the Target Company has been operating at a loss since its incorporation in January 2024. The Target Company has recorded a turnover of approximately RMB39.8 million and a net loss of approximately RMB14.4 million for the eight months ended 31 August 2025. The total assets of the Target Company amounted to RMB60.5 million as of 31 August 2025, mainly comprised of (i) trade receivables and other receivables of approximately RMB50.4 million; and (ii) prepayment of approximately RMB 8.3 million. Meanwhile, the Target Company's total liabilities amounted to approximately RMB77.3 million, mainly comprised of (i) trade payables of approximately RMB41.5 million and (ii) contract liabilities of approximately RMB31.8 million. The Target Company's net liabilities as of 31 August 2025 amounted to approximately RMB16.8 million, increased by approximately RMB14.5 million compared to the net liabilities of the Target Company of approximately RMB2.3 million as of 31 December 2024.

The Target Company's net liability position and persistent losses since incorporation have negatively impacted the overall financial performance of the Group.

2. Reasons for and benefits of the entering into of the Capital Injection Agreement and Equity Transfer Agreements

As disclosed in the Letter from the Board in the Circular, the acquisition of the Target Company by Mr. Chen is primarily driven by strategic, operational, and financial considerations. Since its incorporation in January 2024, the Target Company has been operating at a loss, which has adversely affected the overall financial performance of the Group. Continuing to inject capital into the Target Company would further strain the Group's resources and would not be conducive to maintaining its image in the capital market or safeguarding shareholder interests.

Transferring the Target Company to Mr. Chen will enable the Group to enhance capital efficiency by reallocating resources to business segments with stronger growth potential and higher investment returns.

As of the Latest Practicable Date, the SaaS solutions comprise three business segments: (i) Marketing cloud: This segment offers comprehensive CRM SaaS solutions that equip enterprises with a comprehensive digital marketing operations system. It is engineered to enhance precision marketing conversion by facilitating new client acquisition, stimulating engagement within the existing client base and enabling sophisticated customer relationship management; (ii) Sales cloud: This segment provides CRM software that increases client operational efficiency through robust customer portrait analysis and predictive business opportunity identification; and (iii) Service cloud: This segment delivers intelligent CRM SaaS for customer service, leveraging a human-machine integration model. The solutions provide end-to-end support across the full industry chain, enabled by multi-channel client communication and integrated, full-process business management.

Following a re-assessment of its overall business layout and development strategy, the Group has decided to focus on core business segments, which includes marketing cloud and service cloud of SaaS, and also PaaS, with stronger competitiveness and long-term growth prospects. In line with this strategic realignment, the Group plans to gradually cease its self-operated sales cloud business, which is the principal operation of the Target Company. Allocating capital to other business areas with greater profitability is expected to generate higher returns and enhance overall shareholder value. The Group's decision not to participate in further capital injections into the Target Company is therefore consistent with its transformation, upgrading and sustainable development objectives.

In recent years, Mr. Chen's responsibilities within the Group have been gradually adjusted. Although he has consistently dedicated himself to contributing to Group's development during his tenure, as Group's business has evolved, Mr. Chen's work has also received increased support and assistance from other Directors and the management team. This collaborative model has also provided Mr. Chen with more space to focus on areas where he excels, such as the management and investment in the Target Company. Throughout this process, the Company's nomination committee has been closely monitoring the composition and development needs of the company's management to ensure a smooth transition and the continuous development of the business. The existing Directors and management of the Company possess extensive industry experience and outstanding

management capabilities. They have always played important roles in their respective positions and are well-equipped to effectively take over Mr. Chen's relevant responsibilities while continuing to drive the sustained development of the Company's various business operations.

In the view that (i) upon Completion, the Group will continue to enjoy the investment benefit from the growth in the Target Company's business leveraging on the resources brought by Mr. Chen, Xuantong Tongda and Xuantong Tonghe; (ii) the Target Company's net liability position and persistent losses since its incorporation have negatively impacted the overall financial performance of the Group; (iii) the allocation of more resources on the core business segments with stronger competitiveness and long-term growth prospects; (iv) the Capital Increase will allow the Company to enjoy the benefits of the Target Company largely as an investment without creating any unnecessary financial burden to the Company with respect to alternative fundraising or potential contingent liabilities; and (v) the proceeds from the Equity Transfer will supplement the Target Company's general working capital, despite that the Capital Increase and Equity Transfer is not in the ordinary and usual course of business of the Group, we concur with the Directors that the Capital Increase and Equity Transfer and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Capital Injection Agreement

Date: 20 October 2025 (after trading hour)

Parties:

1. Mr. Chen
2. The Target Company
3. The Vendor
4. Guangzhou Xuantong Tongxing Investment Partnership (Limited Partnership)* (廣州玄瞳同行投資合夥(有限合夥)), a shareholder of the Target Company, holding 15% of the equity interest in the Target Company as of the Latest Practicable Date
5. Guangzhou Xuantong Tongzhi Investment Partnership (Limited Partnership)* (廣州玄瞳同至投資合夥(有限合夥)), a shareholder of the Target Company, holding 15% of the equity interest in the Target Company as of the Latest Practicable Date

Contribution: Mr. Chen will contribute RMB20,000,000 as registered capital of the Target Company and the registered capital of the Target Company will be increased from RMB30,000,000 to RMB50,000,000.

Payment terms: Pursuant to the Capital Injection Agreement, Mr. Chen shall pay the consideration for the Capital Injection in accordance with the provisions of the Articles of Association of the Target Company.

4. Principal terms of the Equity Transfer Agreement

Date: 20 October 2025 (after trading hour)

Parties:

1. The Vendor
2. Xuantong Tongda
3. Xuantong Tonghe

Consideration: The Vendor shall transfer approximately 16.67% and 20.00% of the total registered capital of the Target Company to Xuantong Tongda and Xuantong Tonghe at considerations of RMB5,000,000 and RMB6,000,000, respectively.

Payment terms: Pursuant to the Equity Transfer Agreement, Xuantong Tongda and Xuantong Tonghe shall pay the full amount of the Equity Transfer on 31 December 2027. However, if Xuantong Tongda and Xuantong Tonghe fail to pay the consideration within the aforementioned timeframe, the payment date for the transfer price shall be separately negotiated by both parties.

5. Basis of determination of the consideration of the Capital Injection and Equity Transfer

As disclosed in the Letter from the Board in the Circular, the consideration of the Capital Injection and Equity Transfer were arrived at after arm's length negotiations among the parties to the Capital Injection Agreement and Equity Transfer Agreements with reference to, among other things:

- (i) the consideration paid up by the existing shareholders of the Target Company upon its incorporation which is RMB1 for registered capital of RMB1;
- (ii) the current operations of the Target Company, encompassing its accumulated know-how and management expertise, as well as its strategic assets, including its established customer base, proprietary data assets, and institutionalized workflows, all of which underpin its long-term viability and competitive position;
- (iii) the net liabilities of the Target Company; and
- (iv) the reasons and benefits to be derived by the Group from the Capital Injection and Equity Transfer as stipulated in the section headed "Reasons for and benefits of the Capital Injection and Equity Transfer" in the letter from the Board of the Circular.

With reference to the net liabilities of RMB16.8 million of the Target Company as of 31 August 2025, the consideration at RMB1 for registered capital of RMB1 payable by Mr. Chen and the Purchasers are justified by the current operations of and the initial costs incurred by the Target Company, encompassing its accumulated know-how and management expertise, as well as its strategic assets, including its established customer base, proprietary data assets and institutionalized workflows, all of which underpin its long-term viability and competitive position.

Future profitability is therefore contingent upon controlling initial R&D and fixed costs to achieve breakeven, a point on which the Group hold differing views from Mr. Chen and Purchasers', regarding further capital injections. As a result, the Group decided not to participate in the further capital injections and agreed to accept the considerations under both the Capital Injection and Equity Transfer at RMB1 for registered capital of RMB1, in order to recover its original investments partially upon the incorporation of the Target Company.

To assess the fairness and reasonableness of the consideration for the Capital Injection and Equity Transfer, given that the Target Company's net liability position and has been loss-making, we have conducted the trading multiples analysis namely the price-to-sales multiples (the "**P/S Ratio**"). To perform such analysis, we have conducted research on companies (i) listed on the Stock Exchange which are principally engaged in SaaS or IT solution in the PRC and Hong Kong, which at least 50% of their revenue contributing from such business based on their latest published annual reports available as at the date of the Capital Injection Agreement and Equity Transfer Agreements; and (ii) with a market capitalisation lower than the Company (i.e. HK\$612.5 million as at the date of the Capital Injection Agreement and Equity Transfer Agreements). Based on the aforesaid criteria, we have identified 11 companies (the "**Comparable Companies**"), which is an exhaustive list according to our research on the website of the Stock Exchange. Although the market capitalisations of the Comparable Companies exceed that of the Target Company, this analysis remains meaningful, as it captures recent market sentiment toward listed peers in the similar sector, thereby providing a relevant benchmark for valuation multiples in the current environment.

Company name	Stock Code	Market	Revenue (HK\$ million)	P/S Ratio (times)
		capitalisation (HK\$ million) (Note 1)		
The Company	02392.HK	612.5	1,254.89	0.49
Maxnerva Technology Services Ltd	01037.HK	561.2	609.24	0.92
Edvance International Holdings Ltd	01410.HK	421.8	734.35	0.57
Technovator International Limited	01206.HK	316.8	1,993.86	0.16
Edensoft Holdings Ltd	01147.HK	278.1	1,234.49	0.23
ICO Group Ltd	01460.HK	272.1	1,140.03	0.24
Nanjing Sample Technology Co Ltd	01708.HK	249.5	479.46	0.52
Synertone Communication Corporation	01613.HK	97.4	116.93	0.83
Expert Systems Holdings Ltd	08319.HK	93.2	900.70	0.10
Vodatel Networks Holdings Limited	08033.HK	81.9	604.79	0.14
Global Link Communications Holdings Ltd	08060.HK	32.3	149.61	0.22
			Minimum	0.10
			Maximum	0.92
			Average	0.40
The Target Company				0.50
				(Note 3)

Source: the website of the Stock Exchange

Notes:

1. The market capitalisation of the Comparable Companies were calculated with their respective share price and shares in issue as at the date of the Capital Injection Agreement and Equity Transfer Agreements.
2. The P/S Ratios of the Comparable Companies are calculated based on the market capitalisation of the respective companies divided by the revenue of the Comparable Companies as referenced from their most recently published annual results as at the date of the Capital Injection Agreement and Equity Transfer Agreements.
3. The market capitalisation and the P/S Ratio of the Target Company were calculated based on the implied market capitalisation (derived by the amount of registered capital of the Target Company as at the date of the Agreement and the implied RMB1 per registered capital based on the Capital Increase Agreement and Equity Transfer Agreement) and revenue of the Target Company for the eight months ended 31 August 2025 on pro-rata basis.

As shown from the above, the P/S Ratio of the Target Company of 0.50 times is higher than the average of the P/S Ratios of the Comparable Companies of 0.40 times. We have noted that (i) the P/S Ratio implied for the Target Company is higher than the average of the Comparable Companies; (ii) the insignificant revenue contributions of Target Company to the Group's revenue and their consecutive loss making performance since its incorporation; and (iii) the consideration for the Capital Injection and Equity Transfer represents a premium over the net liability value of the Target Company. Furthermore, as the Target Company is a privately held entity, its shares lack the ready marketability of those in publicly listed companies, making it more difficult to convert such shares into cash. A discount for lack of marketability (“**DLOM**”) is therefore commonly applied in valuations of private companies to reflect the liquidity differential between the shares of the Target Company and those of the selected publicly traded Comparable Companies. The application of an appropriate DLOM would result in a higher adjusted P/S Ratio for the Target Company, further justifying the consideration of the Target Company. As such we consider that the terms of the Capital Injection and Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable.

6. Financial effects of the Capital Injection and Equity Transfer and the use of proceeds

Upon Completion of the Capital Injection and the Equity Transfer, the Target Company will cease to be subsidiary of the Company, and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group. Subject to the final audit, the Group is expected to recognise an unaudited gain of approximately RMB6.0 million from the Equity Transfer, calculated with reference to the difference between (i) the total consideration of the Equity Transfer; and (ii) the aggregate of the unaudited book value of the Target Company as at 31 August 2025. The actual gain on disposal to be recorded by the Group is subject to the net assets of the Target Company and incidental transaction costs to be determined upon completion of the Equity Transfer.

The proceeds from the Equity Transfer (i.e. RMB11,000,000) will be used by the Group to supplement its general working capital, among which approximately RMB8,000,000 will be used for purchases from suppliers and approximately RMB3,000,000 will be used for employees' compensation.

7. Technical Services Procurement Framework Agreement

As disclosed in the Letter from the Board in the Circular, the existing sales cloud business of the Target Company involves the provision of technical services in respect of provision of sales cloud solutions to and procurement of technical services in respect of provision of cloud computing servers from the Group from time to time.

The existing business arrangements are as follows:

- (i) both the Target Company and other members of the Group pursue contracts for provision of sales cloud solutions with end customers. The underlying technology of sales cloud is owned by Target Company, and therefore other members of the Group have to purchase sales cloud solutions in order to fulfill their performance obligations under their contracts with end customers; and
- (ii) the Target Company's sales cloud solutions involve cloud computing servers. To deliver its sales cloud solutions to its end customers, the Target Company itself relies on cloud computing servers sourced from within the Group, which form an integral part of its cost of sales.

After the Completion, the Target Company will no longer be consolidated into the consolidated financial statements of the Group and will become an associate of Mr. Chen, and therefore a connected person as defined in Chapter 14A of the Listing Rules. While the Group intends to downsize its business of sales cloud solutions after the Completion, this does not preclude the other members of the Group from continuing to deliver sales cloud solutions to existing customers and to pursue contracts with end customers for the provision of sales cloud solutions. This ongoing activity is supported by the established customer relationships of the Group. Over time, the proportion of sales cloud solutions channeled through the Group will decline as the Target Company increases its market exposure and secures more direct contracts with end customers. As these contractual arrangements for sales cloud solutions are subject on customer preference, the Group does not have a definite timeline to completely delineate the sales cloud business from its operations.

As a result, the Technical Services Procurement Framework Agreement was entered into by and between the Company and the Target Company, pursuant to which the Group will continue to procure technical services from and provide technical services to the Target Company from 1 December 2025 (subject to Shareholders' approval at the EGM and the Completion) to 30 November 2028.

8. Principal terms of the Technical Services Procurement Framework Agreement

The following sets forth the principal terms of the Technical Services Procurement Framework Agreement. For detailed terms of the Technical Services Procurement Framework Agreement, please refer to the section headed "The Technical Services Procurement Framework Agreement" in the letter from the Board of the Circular.

Date: 20 October 2025 (after trading hours)

Parties:

- 1. The Company
- 2. The Target Company

- Major terms:** According to the Technical Services Procurement Framework Agreement, the Target Company agrees to procure technical services from and provide technical services to the Group from time to time.
- Terms:** The Technical Services Procurement Framework Agreement shall be effective from 1 December 2025 (subject to Shareholders' approval at the EGM and the Completion) to 30 November 2028.
- Termination:** Either party shall have the right to terminate the Technical Services Procurement Framework Agreement by serving thirty (30) business days' prior written notice to the other party.
- Pricing Policy:**
1. Regarding the technical service fees payables by the Group to the Target Company in respect of the provision of sales cloud solutions, the price negotiation mechanism in relation to the purchases of the sales cloud solutions from the Target Company involves the Group first agreeing the service fees with the end-customers (i.e. the Group's selling price to the end-customers), which is then followed by the Group purchasing relevant technical services from the Target Company at a cost fixed at 98% of this selling price. The Board is of the view that the 2% profit margin can ensure that the above transactions are conducted on normal commercial terms and on terms no less favourable than those offered by independent third-party suppliers to the Group, which are mainly based on the following considerations:
 - (a) the sales cloud solutions are usually non-standardised solutions which are tailored to the requirements of the Group's in the form processes, technical requirements and technical specifications according to end customers own needs. There are thus no market prices for the Target Company's sales cloud solutions which are applicable;
 - (b) the mark-up of 2% is in line with the Group's efforts in delivering the sales cloud solutions to its end customers; and

- (c) under the current arrangement, the Target Company has been delivering sales cloud solutions to other Member of the Group at cost since the incorporation of the Target Company and such transactions are eliminated in the consolidated financial statements of the Group until the Completion.
- 2. The technical service fees payable by the Target Company to the Group in respect of the provision of cloud computing servers will be determined on a “cost-plus” basis. On a “cost-plus” basis, the Group’s cost of rentals of the servers plus a percentage mark-up of not be less than 2%. The Board is of the view that the mark-up rate of 2% can ensure that the above transactions are conducted on normal commercial terms and on terms no less favourable than those offered by the Group to independent third-party customers, which are mainly based on the following considerations:
 - (a) considering the Group’s business model, the Group’s provision of servers to its customers is generally ancillary to its SaaS and PaaS solutions, and it generally does not charge a markup for the delivery of servers;
 - (b) the mark-up of 2% is in line with the Group’s minimal efforts in delivering the cloud computing servers from rented from suppliers; and
 - (c) under the current arrangement, the Group has been delivering cloud computing servers at cost since the incorporation of the Target Company and such transactions are eliminated in the consolidated financial statements of the Group until the Completion.

Despite the Company’s view that its marketing cloud and service cloud segment offers stronger competitiveness and long-term growth prospects, it remains essential for the Group to deliver stable and reliable services to its existing customers. Entering into the Technical Services Procurement Framework Agreement is therefore crucial, as it ensures continuity and high-quality support for these clients, even if alternative business segments may yield higher margin. By prioritizing customer satisfaction and retention, the Group could foster enduring relationships that can drive sustained value for Shareholders over time.

As advised by the Management, the sales cloud solutions provided by the Target Company are highly customized and tailored to the Group's specific operational requirements, enabling seamless delivery of services to end-customers. The SaaS services comprise marketing cloud, sales cloud and service cloud, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as artificial intelligence (AI) and data intelligence (DI) capabilities to offer clients a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. Given this intricate ecosystem, sourcing analogous services from independent third-party suppliers would be not only impractical but also inefficient and costly, demanding significant time, technical expertise, and resources to achieve comparable integration without disrupting existing workflows or compromising service quality. Such challenges could lead to operational downtime, increased implementation risks, and potential loss of competitive edge. Therefore, we concur with the Company's assessment that no directly comparable market prices exist for the Target Company's sales cloud solutions under these unique circumstances.

Conversely, the Target Company does not operate as a primary provider of cloud computing servers to independent customers; these servers are exclusively dedicated to underpinning the Group's SaaS and PaaS offerings for its end-customers. Given the current scale of these server operations is minimal, it is neither commercially viable nor strategically aligned for the Group to expand into standalone server rental services for external parties. In this regard, we concur that the Group's provision of such servers to the Target Company is conducted on normal commercial terms and is no less favorable than those extended to independent third-party customers.

Furthermore, as detailed in the section headed "1.3 Information of the Target Company", the Target Company has consistently incurred losses since its incorporation, with a net loss of approximately RMB14.4 million for the eight months ended 31 August 2025 and contributing to net liabilities of RMB16.8 million. These persistent deficits have exerted a material drag on the Group's consolidated financial performance. The proposed Technical Services Procurement Framework Agreement offers a compelling solution, which allows the Group to sustain uninterrupted service to its end-customers, thereby preserving valuable client relationships and revenue streams, and at the same time deriving economic benefits without the burden of consolidating the Target Company's losses. Simultaneously, the Group benefits from a guaranteed 2% profit margin on the sales cloud transactions and an equivalent 2% mark-up on server rentals, which will also increase the profitability of the Group. As such, we are of the view that the pricing policy is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

9. Reasons for and Benefits of entering into the Technical Services Procurement Framework Agreement

As disclosed in the Letter from the Board in the Circular, the Target Company has been in cooperation with other Members of the Group since its incorporation. It is the Group's exclusive sales cloud operator before the Completion and has engaged in continuous technical service procurement and provision with other Members of the Group from time to time. The Company believes that, despite the proposed changes in shareholding in the Target Company, the resumption of the current technical service exchanges with the Target Company and the arrangement for the Technical Services Procurement Framework Agreement will provide the greatest flexibility and reliability for the Group in its business and provide stability to its services the Group's customers. In the long run, in line with the strategic realignment of the Group, the Group will gradually downsize its sales cloud business, stated in the section headed "2. Reasons for and benefits of the entering into of the Capital Injection Agreement and Equity Transfer Agreements" above, and reduce its reliance on such continuing connected transactions.

Taking into account (i) the transactions contemplated under the Technical Services Procurement Framework Agreement could ensure the stable provision of services to the Group's end customers in order to retain existing customers; (ii) the principal terms of the transactions contemplated under the Technical Services Procurement Framework Agreement are on normal commercial terms; (iii) the transactions contemplated under the Technical Services Procurement Framework Agreement could provide the Group with additional income and the Target Company is a reliable service provider, given that the Target Company has been in cooperation with other Members of the Group since its incorporation; (iv) the pricing policy ensure that the Group derives commercial benefits from the relevant transactions while mitigating any risk of loss, as the fees payable by the Group to the Target Company for sales cloud solutions and the fees payable by the Target Company to the Group for cloud computing servers will be determined on basis with 2% profit margin and 2% mark-up respectively, which could provide additional income; (v) the Technical Services Procurement Framework Agreement are not exclusive in nature and offered the Group with flexibilities to conduct business with the Target Company; and (vi) the internal control measures in place to ensure that the transactions contemplated under the Technical Services Procurement Framework Agreement are conducted in accordance with their terms and conditions (as discussed in the section headed "11. Internal control measures" below), we concur with the Directors that the transactions contemplated under the Technical Services Procurement Framework Agreement, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and we are of the view that the terms of the Technical Services Procurement Framework Agreement are fair and reasonable.

10. Annual caps and basis of determination

The table below sets out the annual cap in respect of the fees payable under the Technical Services Procurement Framework Agreement for each year from the 1 December 2025 (subject to Shareholders' approval at the EGM and the Completion) to 30 November 2028:

Relevant services and fee	From 1 December 2025 to 31 December 2025 (subject to Shareholders' approval at the EGM and the Completion <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>	For the year ending 31 December 2027 <i>RMB'000</i>	From 1 January 2028 to 30 November 2028 <i>RMB'000</i>
Technical service fees payable by the Group to the Target Company	9,500	53,300	54,800	44,400
Technical service fees payable by the Target Company to the Group	2,500	14,000	14,000	11,500

As disclosed in the Letter from the Board of the Circular, the following factors have been considered to determine the annual caps:

- (i) historical purchase amount of the technical services payable by the Group to the Target Company during the period from 31 January 2024 (date of incorporation of the Target Company) to 31 December 2024 and the eight months ended 31 August 2025 which amounted to approximately RMB75,500,000 and approximately RMB26,400,000, respectively;
- (ii) historical purchase amount of the technical services payable by the Target Company to the Group during the period from 31 January 2024 (date of incorporation of the Target Company) to 31 December 2024 and the eight months ended 31 August 2025 which amounted to approximately RMB61,700,000 and approximately RMB10,900,000, respectively;
- (iii) purchase orders budgeted to be made for (i) the period from 1 December 2025 (subject to Shareholders' approval at the EGM and the Completion) to 31 December 2025, (ii) the year ending 31 December 2026; (iii) the year ending 31 December 2027; and (iv) the period from 1 January 2028 to 30 November 2028;
- (iv) estimated Group's need for technical services for (i) the period from 1 December 2025 (subject to Shareholders' approval at the EGM and the Completion) to 31 December 2025, (ii) the year ending 31 December 2026; (iii) the year ending 31 December 2027; and (iv) the period from 1 January 2028 to 30 November 2028;

- (v) estimated purchase amount for the technical services to be purchased by the Target Company from the Group for (i) the period from 1 December 2025 (subject to Shareholders' approval at the EGM and the Completion) to 31 December 2025; (ii) the year ending 31 December 2026; (iii) the year ending 31 December 2027; and (iv) the period from 1 January 2028 to 30 November 2028; and
- (vi) the decreasing proportion of contracts for sales cloud solutions with end customers being channeled through other Members of the Group and an increasing proportion of business being secured by the Target Company directly. This shift is a direct result of the Group's strategic downsizing of its direct sales cloud operations.

The technical service fees payable by the Group to the Target Company are derived based on the historical amount and current contract signed with the clients in relation to the provision of sales cloud services. We have obtained and reviewed the calculation in formulating the proposed annual caps from the Company and noted that the components of the proposed annual cap were (a) the number of clients subscribed for the sales cloud services; and (b) the estimated service fee or subscription fee for the sales cloud services, which is based on the types of services involves and types of customers and the industries they are involved in.

The technical service fees payable by the Target Company to the Group primarily consist of rental fees for cloud computing servers used to deliver the Target Company's sales cloud services. Currently, the Target Company utilizes cloud computing servers provided by the Group. The Company anticipates no significant changes to the leasing arrangement for these servers in coming three years. From our review, the annual caps for the technical service fees payable by the Target Company to the Group are mainly derived from the historical purchase amount for the eight months ended 31 August 2025.

As advised by the Company, following Mr. Chen's capital injection into the Target Company, the Target Company is expected to experience a business growth in terms of revenue. However, the Company has indicated that it does not intend to allocate additional resources to support the increased demand from the Target Company. Instead, it will continue to focus on its core business segments. The ongoing provision of sales cloud services is intended to retain existing customers and to offer more comprehensive solutions to both current and potential customers.

Based on the above, we are of the view that such proposed annual caps under the Technical Services Procurement Framework Agreement were determined based on reasonable estimation and after due and careful consideration. Taking into account the fact that the proposed annual caps provide the Group with flexibility to conduct business with the Target Company, we are of the view that such proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

11. Internal Control Measures

The Company has established a comprehensive internal control system and adopted various internal control measures to ensure that the transactions contemplated under the Technical Services Procurement Framework Agreement are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole. Such internal control measures includes, among others:

- (i) a series of measures to ensure that the transactions contemplated under the Technical Services Procurement Framework Agreement will be conducted in accordance with the principal terms of the Technical Services Procurement Framework Agreement, including but not limited to the implementation of separate agreements governing each particular transaction must be approved by the internal control team to ensure that it is in accordance with the pricing policy;
- (ii) proper documentation of the agreements governing each particular transaction entered into between the parties pursuant to the Technical Services Procurement Framework Agreement; and
- (iii) the monitoring of the transactions contemplated under the Technical Services Procurement Framework Agreement on a monthly basis.

Furthermore, pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Technical Services Procurement Framework Agreement are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the transactions every year and confirm in the annual report that 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) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group;

- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and
- (iv) have exceeded the relevant annual caps;
- (c) the Company must allow, and ensure that the counterparties to the transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the transactions; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. 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 (a) the internal control measures adopted by the Group which ensure the continuing connected transactions are conducted on terms no less favourable to the Group than those between the Group and independent third parties; and (b) the reporting requirements attached to the transactions, in particular, (i) the restriction of the transaction value by way of annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the relevant agreements in relation to the transactions and the respective proposed annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions contemplated under the Technical Services Procurement Framework Agreement and assist in safeguarding the interests of the Company and the independent Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that (i) the terms of the Capital Injection Agreement and the Equity Transfer Agreements are on normal commercial terms and are fair and reasonable; and (ii) although the Capital Injection Agreement and the Equity Transfer Agreements are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. In addition, we consider that the entering into the Technical Services Procurement Framework Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve (i) the Capital Injection Agreement and the Equity Transfer Agreements; and (ii) the Technical Services Procurement Framework Agreement (together with the proposed annual caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED



Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 20 years of experience in the corporate finance industry.