



23 August 2024

*To: The Independent Board Committee and the Independent Shareholders of  
Capinfo Company Limited*

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTIONS –  
THE CAPINFO CLOUD FRAMEWORK AGREEMENT;  
(2) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED  
TRANSACTIONS WITH BSAM GROUP**

**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 (i) entering into of the Capinfo Cloud Framework Agreement and the continuing connected transactions contemplated thereunder; and (ii) revision of the annual caps for the continuing connected transactions under the BSAM Framework Agreement (the “**Revision**”) (i.e. together with (i) above, the Transactions), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 August 2024 (the “**Circular**”), of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

**The entering into of the Capinfo Cloud Framework Agreement**

Reference is made to the announcement of the Company dated 28 February 2024 in relation to, amongst other things, the deemed disposal of equity interest in Capinfo Cloud in two tranches. The second tranche of RMB2.0 million shall be paid up by 31 December 2024 and such amount was not paid yet. As a result of the deemed disposal, as at the Latest Practicable Date, the paid-up equity interest held by the Group in Capinfo Cloud has decreased from 100% to approximately 74.0% and Capinfo Cloud has become a connected subsidiary of the Company.

On 19 July 2024 (after trading hours), the Company (for itself and on behalf of the Group) entered into the Capinfo Cloud Framework Agreement with Capinfo Cloud. Pursuant to the Capinfo Cloud Framework Agreement: (i) Capinfo Cloud agreed to provide the Group (excluding Capinfo Cloud) with information technology services and products such as cloud services, cloud products, software development, system

integration, technical operation and maintenance, and technical consulting; and (ii) the Group (excluding Capinfo Cloud) agreed to provide Capinfo Cloud with network system construction and services, software and hardware equipment leasing, and technical outsourcing services such as website intensification and operation and maintenance. For each particular service to be procured under the Capinfo Cloud Framework Agreement, the relevant member of the Group or Capinfo Cloud may enter into separate agreement to set out the particulars on the services and products to be provided between the parties.

### **The Revision**

Reference is made to the announcement of the Company dated 18 January 2023 (the “**2023 BSAM Framework Agreement Announcement**”). On 18 January 2023 (after trading hours), the Company (for itself and on behalf of the Group) entered into the BSAM Framework Agreement with BSAM (for itself and on behalf of the BSAM Group), pursuant to which (i) the Group agreed to continue providing software development services, network system establishment and service, network design, website intensification, system integration, technical operation and maintenance, technical consultancy services, cloud services, cloud products, wireless products and related information technology services and products to BSAM Group; and (ii) BSAM Group agreed to continue providing electronic certification services, electronic certification products and information security services, and related security products, network security system development, operation and maintenance and other technical outsourcing services to the Group.

For each particular service to be procured under the BSAM Framework Agreement, the relevant member of the Group or the relevant member of the BSAM Group may enter into separate agreement to set out the particulars on the services and products to be provided between the parties.

The BSAM Framework Agreement has a term of three (3) years commencing from 1 January 2023 and ending on 31 December 2025.

The existing annual caps for the continuing connected transactions under the BSAM Framework Agreement before the Revision are (i) for the service fees to be paid by BSAM Group to the Group, RMB35.00 million for each of the three (3) years ended or ending 31 December 2025 (the “**FY2023**”, “**FY2024**” and “**FY2025**”, respectively); and (ii) for the service fees to be paid by the Group to BSAM Group, RMB30.00 million for each of the FY2023, FY2024 and FY2025.

Please refer to the 2023 BSAM Framework Agreement Announcement and the Circular for more details, including but not limited to the pricing policy, internal control policies and reasons for and benefits of the entering into of the BSAM Framework Agreement.

With reference to the Letter from the Board, it is expected that BSAM and its subsidiaries will have a significant increase in the demand for informatization services relevant under the BSAM Framework Agreement, and the demand of the Group on the BSAM Group’s products and services will also increase. As a result, the transaction amounts under the BSAM Framework Agreement are expected to increase significantly in future, and the Company is of the view that it would need higher annual caps for the continuing connected transactions under the BSAM Framework Agreement for each of the FY2024 and FY2025, and proposed to revise such annual caps subject to approval by the Independent Shareholders at the EGM.

### **Listing Rules implications**

As at the Latest Practicable Date, BSAM, the Controlling Shareholder, is interested in approximately 63.31% of the issued share capital of the Company and is therefore a Connected Person of the Company under the Listing Rules. Capnet is a subsidiary of BSAM as Capnet is owned as to 95% by BSAM. Capnet is a Connected Person of the Company under the Listing Rules. Capnet holds approximately 26.00% paid-up registered capital of Capinfo Cloud. Capinfo Cloud is therefore a connected subsidiary of the Company and therefore also a connected person of the Company under the Listing Rules.

### ***Continuing connected transactions with Capinfo Cloud***

The transactions contemplated under the Capinfo Cloud Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further, due to the fact that Capnet is owned as to 95% by BSAM and Capnet holds approximately 26.00% paid-up registered capital of Capinfo Cloud, the transaction volume of techniques services between the Group and Capinfo Cloud are aggregated to BSAM Group in calculation of the applicable percentage ratio.

As the highest applicable percentage ratio in respect of the proposed annual caps exceeds 5%, the continuing connected transactions with Capinfo Cloud are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The Revision**

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions. As the highest applicable percentage ratios in respect of the revised annual caps exceeds 5%, BSAM Framework Agreement and Capinfo Cloud Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14.36 and the note to Rule 14A.35 of the Listing Rules, if there is any material variation of the terms of the agreement in relation to connected transaction, the issuer must, where applicable, re-comply with the relevant requirements of the Listing Rules. Given that the revision of annual caps under the BSAM Framework Agreement is relatively material, an EGM will be convened for the purpose of, among others, considering, and if thought fit, approving the revision of annual caps under the BSAM Framework Agreement.

## **EGM AND VOTING AT THE EGM**

The EGM is scheduled to be held at Conference Room, 5th Floor, Longfu Mansion, No. 95 Longfusi Street, Dongcheng District, Beijing, the PRC at 10:30 a.m. on 12 September 2024 for the purpose of considering and, if thought fit, approving the Capinfo Cloud Framework Agreement and the transactions contemplated thereunder and the revision of annual caps under the BSAM Framework Agreement. BSAM has a material interest in the relevant transactions as contemplated under the Capinfo Cloud Framework Agreement and the BSAM Framework Agreement. Therefore, BSAM will be required to abstain from voting on the resolutions in relation to the Transactions contemplated at the EGM. Voting on the resolution at the EGM will be taken by poll.

## **THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Yang Xiaohui and Mr. Dong Jin and Mr. Li Jianqiang, the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Capinfo Cloud Framework Agreement and the BSAM Framework Agreement and the transactions contemplated thereunder.

We, Red Solar Capital Limited, have been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Capinfo Cloud Framework Agreement and the BSAM Framework Agreement and the Revision are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

## **OUR INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, save for (i) an engagement for acting as the independent financial adviser in respect of the major and connected transaction of the Company, the circular of which was dated 19 September 2022 (the “**Previous Engagement**”); and (ii) this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us, or other parties that could reasonably be regarded as relevant to our independence. In respect of the Previous Engagement, apart from the normal advisory fee paid to us in connection with our engagement, we did not receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have reviewed the documents including but not limited to (i) the Capinfo Cloud Framework Agreement; (ii) the BSAM Framework Agreement; (iii) the Revision; (iv) the Circular and the Letter from the Board contained therein; (v) the annual reports of the Company for the year ended 31 December 2022 and 2023, respectively (the “**2022 Annual Report**” and “**2023 Annual Report**”, respectively); and (vi) the relevant supporting documents in respect of the Transactions provided by the Company, including but not limited to historical documents and records, to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. The Shareholders will be informed should there be any material change of information in the Circular up to the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted independent desktop search and confirmed that there was no material difference between our search result and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility of the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

## I. Background of the Group

### (i) Background information of the Group

The Company is a joint stock limited company incorporated in the PRC with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1075). The Group is principally engaged in, among other things, software development and service, system integration, data processing service and information professional service. The business scope of the Group includes the provision of information source service; e-commerce service; technical development, technical consulting, technical service and technical training of network interconnection, computer equipment, hardware and software products as well as communication hardware and software products; integration and agency of information and network system; sales of computer peripheral equipment; proprietary and agency of all kinds of goods and technologies import and export business (excluding those restricted or prohibited by the state from import and export); professional contracting; and sale agency of entrance tickets.

### (ii) Historical financial performance and position of the Group

The following table sets out key consolidated financial information of the Group for the year ended 31 December 2022 (the “FY2022”) and FY2023 as extracted from the 2022 Annual Report and 2023 Annual Report:

	<b>For the FY2023</b> <i>RMB million</i>	<b>For the FY2022</b> <i>RMB million</i>
Operating revenue	1,425.58	1,422.95
Operating (loss)/profit	(90.42)	161.02
Net (loss)/profit	(62.09)	140.70
	<b>As at 31</b> <b>December 2023</b> <i>RMB million</i>	<b>As at 31</b> <b>December 2022</b> <i>RMB million</i>
Total current assets	1,592.40	1,762.00
Total current liabilities	1,261.97	1,211.24
<b>Net current assets</b>	<b>330.43</b>	<b>550.76</b>
Total non-current assets	904.43	784.00
Total non-current liabilities	32.04	13.47
<b>Total assets</b>	<b>2,496.82</b>	<b>2,546.00</b>
<b>Net assets</b>	<b>1,202.81</b>	<b>1,321.29</b>

*Remark: Subject to rounding.*

*Discussion on the Group's financial performance for the FY2023 as compared with that for the FY2022*

The Group's revenue slightly increased by approximately RMB2.63 million or approximately 0.18% from approximately RMB1,422.95 million for the FY2022 to approximately RMB1,425.58 million for the FY2023. As set out in the 2023 Annual Report, the Group's business model generally remained stable for the FY2023, with operations in areas including software development and service, system integration, data processing service and information professional service. We considered the Group's revenue stable between the FY2022 and FY2023 despite fluctuations in the Group's revenue by business operations as set out in the 2023 Annual Report: (i) the Group's revenue from software development and service increased by approximately 6.57% for the FY2023 as compared with that for the FY2022 and accounted for approximately 50.71% of the total operating revenue of the Group for the FY2023; (ii) the Group's revenue from system integration decreased by approximately 13.37% for the FY2023 as compared with that for the FY2022 and accounted for approximately 26.36% of the total operating revenue of the Group for the FY2023; (iii) the Group's revenue from data processing service slightly increased by approximately 0.13% for the FY2023 as compared with that for the FY2022 and accounted for approximately 18.32% of the total operating revenue of the Group for the FY2023; and (iv) the Group's revenue from information professional service increased by approximately 67.10% for the FY2023 as compared with that for the FY2022 and accounted for approximately 3.51% of the total operating revenue of the Group for the FY2023. We have enquired with the Company and understood that apart from normal fluctuations in customer demands and market activities, the Company was not aware of material factors affecting the Group's revenue and its composition for the FY2023. Considering the Group's business model and revenue generally remained stable between the FY2022 and FY2023, we casted no doubt in this regard.

The Group's operating profit of approximately RMB161.02 million for the FY2022 turned into operating loss of approximately RMB90.42 million for the FY2023. According to the 2023 Annual Report, it was primarily attributed to (i) the increase in the Group's operating costs from approximately RMB889.55 million for the FY2022 to approximately RMB1,026.54 million for the FY2023; (ii) the increase in the Group's administrative expenses from approximately RMB136.15 million for the FY2022 to approximately RMB165.34 million for the FY2023; (iii) the Group's investment loss of approximately RMB6.51 million for the FY2023 as compared to investment income of approximately RMB28.37 million for the FY2022, which included loss from investment in associates and joint ventures of approximately RMB12.38 million for the FY2023 as compared to income from investment in associates and joint ventures of approximately RMB24.25 million for the FY2022; (iv) the Group's asset impairment losses of approximately RMB71.07 million for the FY2023 as compared to asset impairment gains of approximately RMB0.5 million for the FY2022; and (v) the Group's loss from disposal of assets of approximately RMB5.83 million for the FY2023 as compared to gain from disposal of assets of approximately RMB14,795.59 for the FY2022. Although the Group recorded (i) decreases in other expenses, taxes and surcharges; and (ii) reduction in credit impairment losses from approximately RMB32.05 million for the FY2022 to approximately RMB4.35 million for the FY2023, the positive effects on the Group's operating profit/loss were overwhelmed by the negative effects on the same for the FY2023,

mainly being the aforementioned, and the Group therefore recorded an operating loss of approximately RMB90.42 million for the FY2023 as compared to an operating profit of approximately RMB161.02 million for the FY2022.

As a combined result of the (i) above; and (ii) the Group's non-operating income and expenses and income tax expenses/allowances, the Group's net profit of approximately RMB140.70 million for the FY2022 turned into net loss of approximately RMB62.09 million for the FY2023.

*Discussion on the Group's financial position as at 31 December 2022 and 2023, respectively*

As a combined result of (i) a decrease in the Group's total current assets from approximately RMB1,762.00 million as at 31 December 2022 to approximately RMB1,592.40 million as at 31 December 2023; and (ii) an increase in the Group's total current liabilities from approximately RMB1,211.24 million as at 31 December 2022 to approximately RMB1,261.97 million as at 31 December 2023, the Group's net current assets decreased from approximately RMB550.76 million as at 31 December 2022 to approximately RMB330.43 million as at 31 December 2023.

Overall, the Group's total assets slightly decreased from approximately RMB2,546.00 million as at 31 December 2022 to approximately RMB2,496.82 million as at 31 December 2023, and the Group's net assets decreased from approximately RMB1,321.29 million as at 31 December 2022 to approximately RMB1,202.81 million as at 31 December 2023.

**(iii) Prospects of the Group**

As set out in the 2023 Annual Report, the innovation and development of digital economy, integration of digital technology and real economy, improvement in data infrastructure and promotion of open access and circulation of data thrived in the year 2023. Under the fast growing market environment, opportunities arose for the Group's industry to expand and develop. For the FY2023, the Group recorded a year-on-year increase in contract amount and significant results in market expansion, and was selected as one of the "Enterprise of Scientific and Technological Reform" by State-owned Assets Supervision and Administration Commission of the State Council. The Group also made various achievements in its business operations as follows.

*Progress in the medical insurance handling system*

As set out in the 2023 Annual Report, during the FY2023, the Group progressed on the construction of the new medical insurance platform, and the medical insurance handling system was officially launched and showed stable operation. Such platform enables vertical and horizontal medical insurance network connectivity, and 16 application systems were built and launched to support the operation of core business of medical insurance. The Group also completed the development of medical insurance mobile payment system, and realized direct connection and expanded coverage for more than 110 key hospitals, among other things.



### *Comprehensive product transformation*

It is also set out in the 2023 Annual Report that the Company strengthened the research and development of basic platform, continued to optimize its cloud-native CCAF technology framework, and intensified its efforts in the development of digital base products during the FY2023. For instance, (i) the Company accelerated the research and development of and exhibited the “New Version of Housing Provident Fund Integrated Platform”; (ii) the Group developed system for supervision on decision-making of “three major and one significant” matters which accommodated national database, and contracts were signed with more than 10 customers; (iii) the intelligent personnel management PAD software product has been available for sale in multiple locations; and (iv) the research and development of V1.0 version digital archive product were completed, and a contract was signed with the Archive of Tongzhou District. Apart from the development of independent products, the Company was also dedicated to achieving business synergy through applying “Capinfo directory block chain basic service platform” in multiple operations, and established the Capinfo Smart City Digital Economy Expert Advisory Committee, and set up the Capinfo-BUAA Smart City and Data Element Innovation Joint Laboratory for the innovation and research on big models and data.

### *Milestones and looking forward*

According to the 2023 Annual Report, the Group’s integrated network platform has been providing e-government extranet services for nearly 20,000 units, and providing wireless broadband and cluster scheduling services for nearly 20,000 terminals of 1.4G private networks. The Capinfo Cloud Platform also operated reliably, providing services for more than 150 commissions, offices and bureaus across the city and more than 200 municipal enterprises. The Group has been and will continue strengthening its businesses in the four main sectors, being (i) digital government service sector; (ii) digital medical care sector; (iii) digital governance sector; and (iv) digital enterprise sector.

Looking forward, the Group will continue to leverage on digitalization, which is considered the core force of new era productivity, and strive to enhance product research and development and the ability to ensure the operation of important systems so as to achieve rapid growth in business scale and steady improvement of operation efficiency.

## **II. The Capinfo Cloud Framework Agreement**

### **(i) Information of the Capinfo Cloud**

As set out in the Letter from the Board, Capinfo Cloud was incorporated in the PRC with limited liability on 29 May 2018. Its business scope can be summarized as covering technological development, data process and computer system service, and information technology business and services, among other things. Please refer to the Letter from the Board for details.

**(ii) *Reasons for and benefits of the Capinfo Cloud Framework Agreement***

As set out in the Letter from the Board, Capinfo Cloud is a service provider for building PRC's governmental cloud network and cloud network for smart cities. Capinfo Cloud provides digital technologies and services such as cloud computing construction and operation, data governance and services, and intelligent applications and services to government and enterprise customers. The Board believes that the entering into the Capinfo Cloud Framework Agreement will be beneficial to the Group's operation. The Board is also of the view that the services to be provided by Capinfo Cloud to the Group will continue helping the Group to provide customers with "cloud + network + platform + data + application" integrated product system and service capabilities, reduce collaboration costs, achieve economies of scale, and improve the related level of technology and services. Therefore, the Board believes that the entering into the Capinfo Cloud Framework Agreement is in the interests of the Group and the Shareholders as a whole.

In this relation, we noted that the business scope of Capinfo Cloud set out in the paragraph headed "(i) Information of the Capinfo Cloud" above covered technology-related services and products. We have also obtained from the Company and reviewed the contracts between the Group (excluding Capinfo Cloud) and Capinfo Cloud entered into from 1 January 2023 up to 30 June 2024 and noted that the services provided/to be provided by Capinfo Cloud to the Group could be broadly summarised into a few types: (i) cloud products and services; (ii) software development, products and services; (iii) system integration; and (iv) technical operation, maintenance and consulting. We have further enquired with the Company and understood that such products and services provided/to be provided by Capinfo Cloud were generally used in the ordinary and usual course of business of the Group. We have also reviewed the 2022 Annual Report and 2023 Annual Report and noted that the Group's products and services also covered cloud platforms and digital technologies and products. Based on the above, we considered that it is reasonable for the Group to use products and services provided/to be provided by Capinfo Cloud.

We also noted from the contracts between the Group (excluding Capinfo Cloud) and Capinfo Cloud that the services provided/to be provided by the Group to Capinfo Cloud could be broadly summarised into (i) internet technology/network construction and services; (ii) software and network system leasing; and (iii) software/network system/internet operation services and maintenance. We considered that such services provided/to be provided by the Group to Capinfo Cloud were in line with the ordinary and usual course of business of the Group and were reasonable.

We have also reviewed the historical and expected transaction amounts between the Group (excluding Capinfo Cloud) and Capinfo Cloud, please refer to the paragraph headed “(vi) Proposed annual caps under the Capinfo Cloud Framework Agreement” below.

**(iii) *Principal terms of the Capinfo Cloud Framework Agreement***

The principal terms of the Capinfo Cloud Framework Agreement are set out below:

- Date: 19 July 2024
- Parties:
1. The Company (for and on behalf of the Group); and
  2. Capinfo Cloud
- Subject matter: Pursuant to the Capinfo Cloud Framework Agreement:
1. Capinfo Cloud agreed to provide the Group (excluding Capinfo Cloud) with information technology services and products such as cloud services, cloud products, software development, system integration, technical operation and maintenance, and technical consulting.
  2. The Group (excluding Capinfo Cloud) agreed to provide Capinfo Cloud with network system construction and services, software and hardware equipment leasing, and technical outsourcing services relating to website intensification and operation and maintenance.

For each particular service to be procured under the Capinfo Cloud Framework Agreement, the relevant member of the Group or Capinfo Cloud may enter into separate agreement to set out the particulars on the services and products to be provided between the parties.

Condition precedent: The transactions contemplated under the Capinfo Cloud Framework Agreement shall be subject to the approval by the Independent Shareholders at the general meeting of the Company.

Term: A term commencing from the latter date of the Capinfo Cloud Framework Agreement and the date where the Group has fulfilled all necessary approval procedures for the transaction, and ending on 31 December 2025, subject to renewal.

**(iv) Pricing policy under the Capinfo Cloud Framework Agreement**

As set out in the Letter from the Board, the pricing policy under the Capinfo Cloud Framework Agreement are set out below:

*Services and products to be provided by the Group to Capinfo Cloud*

For the services and products to be provided by the Group to Capinfo Cloud, the relevant member of the Group which provides services and products would firstly estimate the overall costs based on costs of labour, software and hardware equipment and etc. and then proposes a preliminary quotation based on the estimated overall costs plus a gross profit margin, which is determined (i) with reference to the average bidding price of similar services and products in the open market, such as the China Government Procurement Network (中國政府採購網) (<http://www.ccgp.gov.cn/>) and the average price offered by the Group to independent third parties for the provision of similar services and products, (ii) in compliance with relevant laws, regulations and policies regarding pricing, and (iii) based on an arm's length negotiations with Capinfo Cloud, so as to ensure the price is reasonable and competitive for the Group's services and products.

The gross profit margin applied for the preliminary quotation for services and products, on average, is approximately 20% to 35%, with consideration based on the procurement cost, capital utilization cost, and the corresponding operation and maintenance service fee with an operation and maintenance service period of three to five years, to the degree applicable. We have enquired with the Company and understood that such range of gross profit margin is in line with the range of gross profit margins, in general, for similar products or services provided by the Group to independent third party customers. In terms of the number of samples to be

used when referencing for the average price with independent third parties for the provision of similar services and products, the Group normally sets a benchmark of obtaining three samples.

To ensure the quotation provided by the Group is comparable to the prices offered by other suppliers of similar services and products in the market, the Group will adjust its price with reference to (i) the average bidding price to the extent it can collect from the open market, such as China Government Procurement Network for similar services and products, and (ii) average quotation for similar services and products provided by the Group to independent third parties.

The management of the Group will adjust pricing policy from time to time in light of the changing market environment and taking into account of the status of development of the Company so that its pricing is competitive, beneficial to the Group and in compliance with the applicable laws, regulations and policy documents.

*Services and products to be provided by Capinfo Cloud to the Group*

For the service and products to be provided by Capinfo Cloud to the Group, the procurement department of the Group is responsible for the management of the procurement process. When the procurement department receives procurement requests from other business departments of the Group, it will determine the procurement approach in accordance with relevant laws, regulations and policy documents and the provisions of the Company's procurement management system, and undergo the procedures as required.

The procurement department will consider multiple factors, including the preliminary quotation, the average bidding price of similar services in the open market, and the necessary tendering procedures. To ensure that the fees charged by Capinfo Cloud are fair and reasonable, for each individual transaction, the procurement department will conduct supplier inquiries, negotiations, or tendering and selection procedures to determine the final preferred supplier.

According to the relevant procurement internal procedures, for single transaction which the procurement not exceeding RMB2.5 million generally uses supplier inquiries and commercial negotiations. For asset-related construction projects, goods and services which exceeding RMB2.5 million, the Group would normally conduct tendering and selection procedures.

Regardless of whether supplier inquiries, negotiations, or tendering and selection procedures are used, the procurement process is organized and executed by the procurement department. If the supplier inquiry method is used, the procurement department will normally invite three or more suppliers to participate for comparison and evaluation. If the tendering and selection procedure is used, detailed technical specifications and other requirements as well as the evaluation criteria will be prepared and included in the tender documents, which will be sent to at least three potential bidders for submission. An evaluation committee will be formed by engineers and experienced procurement staff to evaluate the bids based on the predetermined evaluation criteria, which include the supplier's quality management and measures, the ability

to complete the work on time, price, qualifications, and reputation. According to the evaluation criteria and the applicable procurement management measures, the preferred supplier will be selected.

*Our analysis on the pricing policy under the Capinfo Cloud Framework Agreement*

For the services and products to be provided by the Group to Capinfo Cloud, we noted that the Group will estimate the overall costs and then propose a preliminary quotation based on the estimated overall costs plus a gross profit margin of approximately 20% to 35% on average. Taking into account that (i) such range of gross profit margin is in line with the range of gross profit margins in general for similar services provided by the Group to independent third party customers; and (ii) such “cost-plus” approach could ensure that for every transaction (services and/or products) to be provided by the Group to Capinfo Cloud, the Group will enjoy gross profit comparable to those enjoyed by the Group when providing similar services and/or products to independent third party customers, we considered such pricing basis commercially justifiable and reasonable. In addition, we noted that the Group will further make reference to the average bidding price of similar services and products in the open market, such as the China Government Procurement Network and the average price offered by the Group to independent third parties for the procurement of similar services and products.

For the services and products to be provided by Capinfo Cloud to the Group, we noted that the procurement department of the Group is responsible to carry out the procurement procedures as required under the Company’s procurement management system in accordance with relevant laws, regulations and policy documents. In particular, we noted that the procurement department of the Group will either conduct supplier inquiries, negotiations, or tendering and selection procedures to determine the final preferred supplier, details of which have been disclosed in the paragraphs above. We further noted that for supplier inquiries and negotiations, normally three or more suppliers will be invited to participate, and for tendering and selection procedures, at least three potential bidders will be invited too. We considered that such policy of inviting at least three potential suppliers or bidders allows the Company to compare and assess the fees offered by Capinfo Cloud from time to time, and could ensure that it is not less favourable to the Group than those offered by independent third party suppliers, and therefore is fair and reasonable. We have further enquired with the Company and understood that the procurement department of the Group will also make reference to the average bidding price of similar services and products in the open market, such as the China Government Procurement Network, and carry out commercial negotiation with Capinfo Cloud at arm’s length with reference to historical price and price movement trend of other comparable projects to ensure that the fees charged by Capinfo Cloud were in line with relevant market levels.

We have conducted our desktop search and noted that the China Government Procurement Network is a national-grade procurement website and, as shown on its website, the only media designated by the Ministry of Finance of the PRC to publish governmental procurement information. Taking into account such background of the China Government Procurement

Network, we considered it a reliable and independent source of information relating to procurement prices, and it is fair and reasonable for the Group to make reference to the China Government Procurement Network in this regard.

To further assess the fairness and reasonableness of such pricing policy of comparing fee levels with those of independent third parties / independent sources, we conducted independent research based on the following criteria:

1. continuing connected transactions / renewal of continuing connected transactions / revision of annual caps of continuing connected transactions conducted by other companies listed on the Stock Exchange involving purchase / sale of materials / products / services from / to their connected persons in the fields of information technology services / electrical or electronic products / software development / digital services. Although such materials / products / services may not be identical to those involved under the Capinfo Cloud Framework Agreement and the BSAM Framework Agreement, they are related to information technology / digital / software services and relevant hardwares, which we considered to have similar characteristics with those under the Capinfo Cloud Framework Agreement and the BSAM Framework Agreement and therefore considered appropriate for this analysis; and
2. the transactions announced from 19 June 2024 to 19 July 2024 (being approximate one month period immediately prior to the date of the Capinfo Cloud Framework Agreement).

Based on the aforesaid selection criteria, we found 8 transactions (the “Comparable CCTs”), the details of which are set out below:

No.	Date of announcement	Company name	Stock code	Materials, products or services involved	Pricing basis/ policy in general (Note)
1	19 June 2024	CITIC Telecom International Holdings Limited	1883	Internet and network, cloud and information security services	IBP
2	28 June 2024	REM Group (Holdings) Limited	1750	Electrical products	IBP
3	28 June 2024	BAIOO Family Interactive Limited	2100	WeChat Pay service	IBP
4	28 June 2024	SEM Holdings Limited	9929	Electrical products	IBP
5	10 July 2024	Prosper Construction Holdings Limited	6816	Software development and construction automation engineering project services	IBP
6	11 July 2024	Ten Pao Group Holdings Limited	1979	DC cables and copper wires	IBP
7	12 July 2024	China Telecom Corporation Limited	728	Engineering, telecommunications, technology, leasing, license and digital services	IBP
8	17 July 2024	Cowell e Holdings Inc.	1415	Electronic and circuit board products and materials	IBP

Note:

“T3P” means that, in general, it is announced by the respective company that it is its pricing basis / policy for the respective continuing connected transactions that the prices offered by / to the respective company to / by their respective connected persons shall be no less favourable to the respective company and its group when compared to those offered by / to the respective company to / by independent third party customers and suppliers.

While the Comparable CCTs were of different nature with the Transactions in terms of the background and materials / products / services involved, we considered the pricing basis / policy of such transactions to be general principle that shall universally apply across such transactions regardless of the nature and materials / products / services involved. Therefore, we considered it fair and reasonable and representative to examine the pricing basis / policy of the Comparable CCTs and compare them with that of the Transactions.

We noted that all of the Comparable CCTs have, in general, a pricing policy of offering / charging prices comparable with those offered / charged by / to independent third parties for the same / similar product / service with references to quotations from / to independent third parties, market price data or comparable market transactions. Based on the above, we considered that a pricing policy of referencing to prices offered to / by independent third parties is commonly adopted.

Considering that (i) for both the services and products to be provided by / to the Group to / by Capinfo Cloud under the Capinfo Cloud Framework Agreement, it is the policy of the Company to make reference to (a) the average bidding price to the extent it can collect from the open market, such as China Government Procurement Network for similar services and products, (b) average quotation for similar services and products provided by / to the Group to / by independent third parties, which are both common sources of references as demonstrated by the Comparable CCTs and (c) the historical price and price movement trend of other comparable projects for similar services and products; (ii) the China Government Procurement Network is a reliable and independent source of information relating to procurement prices as discussed above, we considered the pricing policies contemplated under the Capinfo Cloud Framework Agreement fair and reasonable.

(v) ***Internal control policies under the Capinfo Cloud Framework Agreement***

As set out in the Letter from the Board, the internal control policies under the Capinfo Cloud Framework Agreement are as follows.

Each quotation for the service and products to be provided by the Group to Capinfo Cloud under the Capinfo Cloud Framework Agreement will go through the internal approval system of the Group, under which it passes through different departments for consideration, including the planning department, the financial management department and the management of the Company for review and approval. The management of the Company would ensure that the final quotation is fair and reasonable and beneficial to the Group as a whole.



Each individual transaction in relation to the service and products to be provided by Capinfo Cloud to the Group under the Capinfo Cloud Framework Agreement shall be reviewed and approved by the head of the procurement department of the Group before execution to ensure that the terms and procedures are in compliance with the Company's pricing policy.

Following the entering into of the Capinfo Cloud Framework Agreement, the Company will regularly review the transactions to be entered into with Capinfo Cloud to identify any transactions that maybe at risk of exceeding the annual caps and any measures to be introduced in response to such transactions. All the transactions between the Group and Capinfo Cloud will be reviewed at least once per year in detail. The financial management department of the Group is responsible for monitoring the transaction amounts of the continuing connected transactions quarterly, reporting to Board's office to ensure that the transactions are conducted in accordance with the respective pricing policies and the annual caps are not exceeded.

The procurement department of the Group will obtain quotation from Capinfo Cloud for each purchase and compare the quotations of similar services and products from other independent suppliers to ensure the price competitiveness of services and products before placing order(s) with Capinfo Cloud. To the extent possible and practicable, the Group normally sets a benchmark of obtaining three quotations for price reference with independent third parties for the procurement of similar services and products.

The auditors and independent non-executive Directors of the Company will also conduct annual review of the continuing connected transactions entered into by the Group on whether the continuing connected transactions have been conducted in compliance of the pricing policies and whether the relevant annual caps have been exceeded.

For our due diligence purpose, we obtained from the Company (i) two sets of walkthrough document for each of (a) the services and products provided by the Group to Capinfo Cloud previously; and (b) similar services and products provided by the Group to independent third party customers; and (ii) two sets of walkthrough document for each of (a) the services and products provided by Capinfo Cloud to the Group previously; and (b) similar services and products provided by independent third party suppliers to the Group, all of which the transaction took place during the FY2022 or FY2023 (i.e. eight sets of walkthrough documents in total). We considered the number of sampled walkthrough documents sufficient for our analyses purposes and that they are reference of transactions within a reasonable period of time. After reviewing the eight sets of walkthrough documents, we noted that (i) the pricing policy procedures disclosed in the paragraph headed "(iv) Pricing policy under the Capinfo Cloud Framework Agreement" in this section above were in place for both the services and products provided by the Group to Capinfo Cloud and services and products provided by Capinfo Cloud to the Group, including the price comparison and/or reference to independent source procedures; (ii) the prices offered by the Group to Capinfo Cloud were no less favourable to the Group than those offered by the Group to independent third party customers; and (iii) the prices offered by Capinfo Cloud to the Group were no less favourable to the Group than those offered by independent third party suppliers to the Group.

Furthermore, we noted from the internal control procedures that the finance management department will monitor the transaction amounts of the continuing connected transactions quarterly, and report to Board's office to ensure that the transactions are conducted in accordance with the respective pricing policies and the annual caps are not exceeded.

Based on all the aforesaid, we casted no doubt to the effectiveness of the implementation of the internal control measures in respect of the continuing connected transactions under the Capinfo Cloud Framework Agreement.

**(vi) Proposed annual caps under the Capinfo Cloud Framework Agreement**

As set out in the Letter from the Board, the annual caps under the Capinfo Cloud Framework Agreement for each of (i) the service fees to be paid by the Group to Capinfo Cloud; and (ii) service fees to be paid by Capinfo Cloud to the Group were determined based on the expected business needs of the Group and Capinfo Cloud and the historical transaction amounts between them.

The (i) historical transaction amounts for the service fees (a) paid by the Group to the Capinfo Cloud; and (b) paid by the Capinfo Cloud to the Group; and (ii) proposed annual caps under the Capinfo Cloud Framework Agreement are as follows:

	<b>For the year ended 31 December 2021 (RMB0'000)</b>	<b>For the year ended 31 December 2022 (RMB0'000)</b>	<b>For the year ended 31 December 2023 (RMB0'000)</b>
Historical service fees paid by Capinfo Cloud to the Group*	1,121.67	1,114.59	1,540.45
Historical service fees paid by the Group to Capinfo Cloud*	400.84	411.72	nil

\* Including estimated applicable PRC tax at a 6% tax rate.

The historical service fees paid by the Group to Capinfo Cloud was nil for the FY2023 mainly due to there was no procurement need of services or products from Capinfo Cloud during the relevant period. As Capinfo Cloud mainly supports the Group with cloud computing system related services, depending on project needs, the Group will only engage Capinfo Cloud when cloud computing related services are needed.

	<b>For the FY2024</b> <i>(RMB0'000)</i>	<b>For the FY2025</b> <i>(RMB0'000)</i>
Annual cap for the service fees to be paid by Capinfo Cloud to the Group	3,000	3,000
Annual cap for the service fees to be paid by the Group to Capinfo Cloud	2,500	2,500

We have enquired with the Company and understood that, based on the Company's management accounts, (i) for the six months ended 30 June 2024, the Group expected to recognise nil service fees paid by Capinfo Cloud and service fees paid to Capinfo Cloud of approximately RMB9.65 million; and (ii) for the six months ending 31 December 2024, the Group is expected to recognise service fees paid by Capinfo Cloud of approximately RMB25.99 million and service fees paid to Capinfo Cloud of approximately RMB9.65 million. In aggregate, for the FY2024, the Group is expected to recognise service fees paid by Capinfo Cloud of approximately RMB25.99 million and service fees paid to Capinfo Cloud of approximately RMB19.30 million. All the aforesaid amounts included estimated applicable PRC tax at a 6% tax rate. We have also enquired with the Company and understood that these expected amounts of service fees paid by/to Capinfo Cloud for the FY2024 have been arrived at based on secured contracts up to 30 June 2024 only. We have obtained from the Company such secured contracts and placed no doubt in this regard.

We noted that the (i) annual cap for the service fees to be paid by Capinfo Cloud to the Group for the FY2024 of RMB30.00 million included a buffer of approximately 15.43% over the expected amount of service fees paid by Capinfo Cloud of approximately RMB25.99 million for the same year; and (ii) annual cap for the service fees to be paid by the Group to Capinfo Cloud for the FY2024 of RMB25.00 million included a buffer of approximately 29.53% over the expected amount of service fees paid to Capinfo Cloud of approximately RMB19.30 million for the same year. We understood from the Company that such buffers are included because the Board noted the Group's increasing transaction amounts with Capinfo Cloud and considered that it will be more prudent to include such buffer as the Group may enter into new and unexpected contracts or transactions with Capinfo Cloud and the actual transaction amounts with Capinfo Cloud may exceed the expected amounts. In this relation, we noted that (i) the aggregate expected amount of service fees paid by Capinfo Cloud of approximately RMB25.99 million for the FY2024, which was based on secured contracts up to 30 June 2024 only, already represented premiums of approximately 131.73%, 133.20% and 68.73% over the historical amount of service fees paid by Capinfo Cloud for each of the three years ended 31 December 2023, respectively; and (ii) while the Group did not recognize service fees paid to Capinfo Cloud for the FY2023, the aggregate expected amount of service fees paid to Capinfo Cloud of approximately RMB19.30 million for the FY2024 represented premiums of approximately 381.38% and 368.66% over the historical amount of service fees paid to Capinfo Cloud for each of the two years ended 31 December 2022, respectively. As such, we concurred with the Company that the Group's transaction amounts with Capinfo Cloud have increased significantly. We have also enquired with the Company and understood that the Group may secure new contracts or transactions with Capinfo Cloud during the remaining time

in the FY2024. In particular, for the period during 1 July 2024 to 31 December 2024 (i.e. the remaining time in year 2024 where no expected contract nor contract amount was included in the aforesaid estimation of expected amount of service fees to be paid to / by Capinfo Cloud), although the Group cannot estimate what, how many and how much of (in terms of contract sum) contracts will be entered into between the Group and Capinfo Cloud, the Group believes that it will continue to secure new contracts or have new transactions with Capinfo Cloud based on its current assessment on the Group's own businesses and its communication with Capinfo Cloud, and therefore included certain buffer over the expected transaction amounts of contracts with Capinfo Cloud up to 30 June 2024 when determining the relevant annual caps to accommodate for such new contracts or transactions with Capinfo Cloud during the six months ending 31 December 2024. Considering (i) the expected transaction amounts between the Group and Capinfo Cloud for the FY2024 represented significant premiums over the historical amount of service fees between the same as explained above, indicating that the transaction volume between the Group and Capinfo Cloud has been increasing; (ii) such expected transaction amounts between the Group and Capinfo Cloud for the FY2024 have been arrived at taking into account secured contracts up to 30 June 2024 only without considering that the Group may secure new contracts or transactions with Capinfo Cloud during the remaining time in the FY2024; and (iii) the Group has considered its current self-assessment on its businesses and communication with Capinfo Cloud and determined that it is possible to have new contracts or transactions with Capinfo Cloud during the six months ending 31 December 2024 and therefore included buffer when determining the relevant annual caps, we were of the view that it is fair and reasonable to include buffers when determining the annual caps for the Capinfo Cloud Framework Agreement for the FY2024 to accommodate potential contracts and transaction amounts in the remaining time of 2024 which were currently unexpected. Based on the above, we were of the view that the proposed annual caps under the Capinfo Cloud Framework Agreement for the FY2024, which has been determined based on the expected transaction amounts between the Group and Capinfo Cloud for the same year with certain buffer, is fair and reasonable. We also noted that the proposed annual caps under the Capinfo Cloud Framework Agreement for the FY2025 are the same as that for the FY2024. We have enquired with the Company and understood that it is because the Company expected the transaction amounts with Capinfo Cloud for the FY2025 to be similar to those for the FY2024. Considering that (i) the expected transaction amounts between the Group and Capinfo Cloud for the FY2024 indeed increased significantly when compared with those for each of the three years ended 31 December 2023; and (ii) we were not aware of any factor which may cause us to believe that the Group's operations nor demand for Capinfo Cloud's products and services will decline materially, we considered it fair and reasonable for the Company to propose annual caps under the Capinfo Cloud Framework Agreement for the FY2025 which are the same as those for the FY2024.

In light of the above factors, we considered that the proposed annual caps under the Capinfo Cloud Framework Agreement for the FY2024 and FY2025 are fair and reasonable.

### **III. Revision of annual caps for continuing connected transactions with BSAM Group**

#### ***(i) Information of BSAM***

As set out in the Letter from the Board, BSAM is a company established in the PRC with limited liability and is wholly-owned by the Beijing Municipal Government of the PRC. BSAM, as the implementer and operator of major projects in Beijing, focuses its business operations in financial services, high-tech and modern manufacturing, culture and creativity, urban development of functionality area, environmental protection and new energies.

As at the Latest Practicable Date, BSAM, the Controlling Shareholder, is interested in approximately 63.31% of the issued share capital of the Company and is therefore a Connected Person of the Company under the Listing Rules.

Pursuant to the BSAM Framework Agreement, (i) the Group agreed to continue providing software development services, network system establishment and service, network design, website intensification, system integration, technical operation and maintenance, technical consultancy services, cloud services, cloud products, wireless products and related information technology services and products to BSAM Group; and (ii) BSAM Group agreed to continue providing electronic certification services, electronic certification products and information security services, and related security products, network security system development, operation and maintenance and other technical outsourcing services to the Group.

#### ***(ii) Reasons for and benefits of the existing BSAM Framework Agreement***

As set out in the 2023 BSAM Framework Agreement Announcement, BSAM Group has maintained good cooperation relationship with the Group for a long time and with the extensive and in-depth application of internet, cloud computing, and big data technologies in enterprise informatization. The Board is also of the view that the services to be provided by BSAM Group to the Group will continue helping the Group to maintain and enhance its network security system, and improve the related level of technology and services. In this relation, we noted from the announcement of the Company dated 9 September 2020 that the transactions contemplated under the BSAM Framework Agreement and its precedents can be traced back to September 2020, since when the Group and the BSAM Group have been providing the products and services as set out under the BSAM Framework Agreement to each other. Therefore, we agreed the Board's view that the BSAM Group has maintained good cooperation relationship with the Group for a long time.

We have also obtained from the Company and reviewed the contracts between the Group and the BSAM Group entered into from 1 January 2023 up to 30 June 2024 and noted that the services provided/to be provided by the BSAM Group to the Group could be broadly summarised into a few types: (i) electronic certification products and services; (ii) information security services and products; (iii) network system development, operation and maintenance services; and (iv) other technical outsourcing services. We have further enquired with the Company and understood that such products and services provided/to be provided by the BSAM Group were generally used in the ordinary and usual course of business of the Group.

We have also reviewed the 2022 Annual Report and 2023 Annual Report and noted that the Group's products and services covered system integration, network system development products and services. We also considered that it is reasonable for the Group to employ network security services due to the technology-heavy nature of its businesses. Based on the above, and that the Group has established a long business relationship with the BSAM Group, we considered that it is reasonable for the Group to use products and services provided/to be provided by the BSAM Group.

We also noted from the contracts between the Group and the BSAM Group that the services provided/to be provided by the Group to the BSAM Group could be broadly summarised into (i) software development; (ii) network system design and establishment services; (iii) cloud products and services; and (iv) website and technical operation products, services and maintenance. We considered that such services provided/to be provided by the Group to the BSAM Group were in line with the ordinary and usual course of business of the Group and were reasonable.

We have also reviewed the historical and expected transaction amounts between the Group and the BSAM Group, please refer to the paragraph headed "(v) Proposed revision to the annual caps under the existing BSAM Framework Agreement" below.

**(iii) Pricing policy under the existing BSAM Framework Agreement**

As set out in the 2023 BSAM Framework Agreement Announcement, the pricing policy under the existing BSAM Framework Agreement are set out below:

*Services and products to be provided by the Group to BSAM Group*

For the services and products to be provided by the Group to the BSAM Group, the relevant member of the Group which provides services and products would firstly estimate the overall costs based on costs of labour, software and hardware equipment and etc. and then proposes a preliminary quotation based on the estimated overall costs plus a gross profit margin, which is determined (i) with reference to the average bidding price of similar services and products in the open market, such as the China Government Procurement Network (中國政府採購網) (<http://www.ccgp.gov.cn/>) and the average price offered by the Group to independent third parties for the procurement of similar services and products, (ii) in compliance with relevant laws, regulations and policies regarding pricing, and (iii) based on an arm's length negotiations with BSAM Group, so as to ensure the price is reasonable and competitive for the Group's services and products.

To ensure the quotation provided by the Group is comparable to the prices offered by other suppliers of similar services and products in the market, the Group will adjust its price with reference to (i) the average bidding price to the extent it can collect from the open market, such as China Government Procurement Network (中國政府採購網) (<http://www.ccgp.gov.cn/>) for similar services and products, and (ii) average quotation for comparable services and products provided by the Group to independent third parties.

The management of the Group will adjust pricing policy from time to time in light of the changing market environment and taking into account of the status of development of the Company so that its pricing is competitive, beneficial to the Group and in compliance with the applicable laws, regulations and policy documents. The gross profit margin applied for the preliminary quotation for services and products is approximately 25% to 40%. We have enquired with the Company and understood that such range of gross profit margin is in line with that of gross profit margins for similar products or services provided by the Group to independent third party customers.

*Services and products to be provided by BSAM Group to the Group*

For the service and products to be provided by BSAM Group to the Group, the procurement department of the Group is responsible for the management of the procurement process. When the procurement department receives procurement requests from other business departments of the Group, it will invite at least three suppliers for quotation. Such quotation should include information such as particulars of products/services, proposed products/services price, delivery and payment terms. After comparing the quotations submitted by suppliers, the officers of the procurement department of the Group will report and make recommendations to the head of the procurement department of the Group. The head of the procurement department of the Group will select the best suitable supplier based on information gathered and the recommendation made by its subordinate officers.

*Our analysis on the pricing policy under the existing BSAM Framework Agreement*

We noted that for both the (i) services and products to be provided by the Group to BSAM Group; and (ii) services and products to be provided by BSAM Group to the Group, the Group will, where applicable, (i) compare the prices offered by the Group to BSAM Group with the prices offered by other suppliers of similar services and products in the market; or (ii) invite at least three suppliers (which may include BSAM Group) for quotation and compare all the offers before making purchase decisions.

As discussed in the paragraphs headed “II. The Capinfo Cloud Framework Agreement - (iv) Pricing policy under the Capinfo Cloud Framework Agreement” above, we considered the China Government Procurement Network a reliable and independent source of information relating to procurement prices, and it is fair and reasonable for the Group to make reference to the China Government Procurement Network when determining the pricing policy under the BSAM Framework Agreement.

Reference is also made to the Comparable CCTs, and our finding that a pricing policy of offering / charging prices comparable with those offered / charged by / to independent third parties for the same / similar product / service with references to quotations from / to independent third parties, market price data or comparable market transactions is generally adopted in these Comparable CCTs. Considering the Group will make references to quotations to / by independent third parties for determining the pricings of transactions under the BSAM

Framework Agreement, as well as to independent sources such as China Government Procurement Network where applicable, we considered the pricing policies contemplated under the BSAM Framework Agreement fair and reasonable.

**(iv) *Internal control policies under the existing BSAM Framework Agreement***

As set out in the “2023 BSAM Framework Agreement Announcement, the internal control policies under the existing BSAM Framework Agreement are as follows.

Each quotation for the service and products to be provided by the Group to BSAM Group under the Renewal Agreement will go through the internal approval system of the Group, under which it passes through different departments for consideration, including the planning department, the finance management department and the management of the Company for review and approval. The management of the Company would ensure that the final quotation is fair and reasonable and beneficial to the Group as a whole.

Each individual transaction in relation to the service and products to be provided by BSAM Group to the Group under the Renewal Agreement shall be reviewed and approved by the head of the procurement department of the Group before execution to ensure that the terms and procedures are in compliance with the Company’s pricing policy.

Following the entering into of the Renewal Agreement, the Company will regularly review the transactions to be entered into with BSAM Group to identify any transactions that maybe at risk of exceeding the annual caps and any measures to be introduced in response to such transactions. The finance management department of the Group is responsible for monitoring the transaction amounts of the continuing connected transactions quarterly, reporting to Board’s office to ensure that the transactions are conducted in accordance with the respective pricing policies and the annual caps are not exceeded.

The procurement department of the Group will (i) regularly compare with the price list of the Group to ensure the fees charged to BSAM Group is at least on the same bases and same rates for similar services and products provided to independent third parties by the Group; (ii) obtain quotation from BSAM Group for each purchase and compare the quotations of similar services and products from other independent suppliers to ensure the price competitiveness of services and products before placing order(s) with BSAM Group.

The auditors and independent non-executive Directors of the Company will also conduct annual review of the continuing connected transactions entered into by the Group on whether the continuing connected transactions have been conducted in compliance of the pricing policies and whether the relevant annual caps have been exceeded.

For our due diligence purpose, we obtained from the Company (i) two sets of walkthrough documents for each of (a) the services and products provided by the Group to BSAM Group; and (b) similar services and products provided by the Group to independent third party customers; and (ii) two sets of walkthrough documents for each of (a) the services and products provided by BSAM Group to the Group; and (b) similar services and products



provided by independent third party suppliers to the Group, all of which the transaction took place during the FY2022 and FY2023 (i.e. eight sets of walkthrough documents in total). We considered the number of sampled walkthrough documents sufficient for our analyses purposes and that they are reference of transactions within a reasonable period of time. After reviewing the eight sets of walkthrough documents, we noted that (i) the pricing policy procedures disclosed in the paragraph headed “(iii) Pricing policy under the existing BSAM Framework Agreement” in this section above were in place for both the services and products provided by the Group to BSAM Group and services and products provided by BSAM Group to the Group, including the price comparison and/or reference to independent source procedures; (ii) the prices offered by the Group to BSAM Group were no less favourable to the Group than those offered by the Group to independent third party customers; and (iii) the prices offered by BSAM Group to the Group were no less favourable to the Group than those offered by independent third party suppliers to the Group.

Furthermore, we noted from the internal control procedures that the finance management department will monitor the transaction amounts of the continuing connected transactions quarterly, and report to Board’s office to ensure that the transactions are conducted in accordance with the respective pricing policies and the annual caps are not exceeded.

Based on all the aforesaid, we casted no doubt to the effectiveness of the implementation of the internal control measures in respect of the continuing connected transactions under the existing BSAM Framework Agreement.

(v) ***Proposed revision to the annual caps under the existing BSAM Framework Agreement***

The historical annual caps and the historical transaction amounts for the service fees (i) paid by the Group to the BSAM Group; and (ii) paid by the BSAM Group to the Group are set out as follow:

	<b>For the year ended 31 December 2021 (RMB0'000)</b>	<b>For the year ended 31 December 2022 (RMB0'000)</b>	<b>For the year ended 31 December 2023 (RMB0'000)</b>
Historical annual caps for service fees paid by BSAM Group to the Group	4,000	4,000	3,500
Historical service fees paid by BSAM Group to the Group	1,512.31	1,746.70	3,409.00
Utilisation rate	37.80%	43.65%	97.40%
Historical annual caps for the service fees paid by the Group to BSAM Group	1,600	1,600	3,000
Historical service fees paid by the Group to BSAM Group	1,287.10	921.40	2,436.30
Utilisation rate	80.44%	57.56%	81.20%

The proposed revised annual caps for (i) the service fees to be paid by the Group to BSAM Group; and (ii) the service fees to be paid by BSAM Group to the Group under the BSAM Framework Agreement for the each of the two years ending 31 December 2025 are set out as follows:

	<b>For the FY2024</b> <i>(RMB0'000)</i>	<b>For the FY2025</b> <i>(RMB0'000)</i>
Existing Annual cap for the service fees to be paid by BSAM Group to the Group	3,500	3,500
<b><i>Revised annual cap for the service fees to be paid by BSAM Group to the Group</i></b>	<b><i>9,500</i></b>	<b><i>9,500</i></b>
Annual cap for the service fees to be paid by the Group to BSAM Group	3,000	3,000
<b><i>Revised annual cap for the service fees to be paid by the Group to BSAM Group</i></b>	<b><i>4,500</i></b>	<b><i>4,500</i></b>

We have enquired with the Company and understood that (i) for the six months ended 30 June 2024, the Group expected to recognise service fees paid by BSAM Group of approximately RMB34.11 million and service fees paid to BSAM Group of approximately RMB5.41 million; and (ii) for the six months ending 31 December 2024, the Group is expected to recognise service fees paid by BSAM Group of approximately RMB29.07 million and service fees paid to BSAM Group of approximately RMB31.70 million. Overall, for the FY2024, the Group is expected to recognise service fees paid by BSAM Group of approximately RMB63.19 million and service fees paid to BSAM Group of approximately RMB37.12 million. All the aforesaid amounts included estimated applicable PRC taxes. We have also enquired with the Company and understood that these expected amounts of service fees paid by/to BSAM Group for the FY2024 have been arrived at based on secured contracts up to 30 June 2024. We have obtained from the Company such secured contracts and placed no doubt in this regard.

We noted that (i) the aggregate expected amount of service fees paid by BSAM Group of approximately RMB63.19 million for the FY2024, which was based on secured contracts up to 30 June 2024 only, represented premiums of approximately 317.81%, 261.75% and 85.35% of the historical amount of service fees paid by BSAM Group for each of the three years ended 31 December 2023, respectively; and (ii) the aggregate expected amount of service fees paid to BSAM Group of approximately RMB37.12 million for the FY2024, which was based on secured contracts up to 30 June 2024 only, represented premiums of approximately 188.37%, 302.82% and 52.34% of the historical amount of service fees paid to BSAM Group for each of the three years ended 31 December 2023, respectively. We have enquired with the Company and understood that, to the best knowledge of the Company, the BSAM Group has been accelerating the use of cloud computing, information and big data technologies in its operations since around 2023 to achieve its own strategies of digital transformation, among other things. As a result, the demand of the BSAM Group on the Group's cloud computing and network system platform and relevant technical products, services and supports including that of software development services, network system establishment and service, network design, website intensification, system integration, technical operation and maintenance, technical

consultancy services, cloud services, cloud products, wireless products and related information technology services and products is expected to be increasing. Meanwhile, as the products and services of the BSAM Group were also required in the operations of the Group, the demand of the Group on the BSAM Group's products and services also increased. In this relation, we noted that the historical service fees paid by BSAM Group to the Group increased by approximately 15.50% from approximately RMB15.12 million for the FY2021 to approximately RMB17.47 million for the FY2022, then further increased substantially by approximately 95.17% to approximately RMB34.09 million for the FY2023. For the FY2024, based on secured contracts up to 30 June 2024 only, the amount of service fees to be paid by BSAM Group to the Group was expected to continue increase by approximately 85.35% to approximately RMB63.19 million. We also noted that although the historical service fees paid by the Group to BSAM Group decreased by approximately 28.41% from approximately RMB12.87 million for the FY2021 to approximately RMB9.21 million for the FY2022, it then rebounded substantially by approximately 164.41% to approximately RMB24.36 million for the FY2023. For the FY2024, based on secured contracts up to 30 June 2024 only, the amount of service fees to be paid by the Group to BSAM Group was also expected to continue increase by approximately 52.34% to approximately RMB37.12 million. Taking the above into account, we concurred with the view of the Board that the transaction amounts between the Group and the BSAM Group has been increasing.

We also noted that the (i) annual cap for the service fees to be paid by the BSAM Group to the Group for the FY2024 of RMB95.00 million included a buffer of approximately 50.34% over the expected amount of service fees paid by the BSAM Group of approximately RMB63.19 million for the same year; and (ii) annual cap for the service fees to be paid by the Group to the BSAM Group for the FY2024 of RMB45.00 million included a buffer of approximately 21.23% over the expected amount of service fees paid to the BSAM Group of approximately RMB37.12 million for the same year. We understood from the Company that such buffers are included because the Board noted the Group's increasing transaction amounts with the BSAM Group and considered that it will be more prudent to include such buffer as the Group may enter into new and unexpected contracts or transactions with the BSAM Group and the actual transaction amounts with the BSAM Group may exceed the expected amounts. In this relation, we have considered that the aggregate expected transaction amounts between the Group and the BSAM Group for the FY2024 (i) indeed represented significant premiums over the historical transaction amounts between the Group and the BSAM Group for the three years ended 31 December 2023; and (ii) were determined based on secured contracts up to 30 June 2024 only. We have also enquired with the Company and understood that the Group may secure new transactions with the BSAM Group during the remaining time in the FY2024, and if entered into, the aggregate expected contract sum to be awarded by the BSAM Group to the Group, as estimated up to the Latest Practicable Date, could exceed RMB20.00 million. Such potential contracts, if entered into, could also contribute to the expected transaction amount to be paid by the BSAM Group to the Group for the FY2024, such that it may exceed the currently expected level of approximately RMB63.19 million. We also noted that such aggregate expected contract sum are estimated up to the Latest Practicable Date only, and future transactions which may not be expected up to the Latest Practicable Date could arise between the Group and the BSAM Group. In this relation, we have further enquired with the Company and understood that the Group, based on its self-assessment on its businesses and

communications with the BSAM Group, believes that it is possible, although unable to estimate the relevant amount now, for the Group to enter into new contracts or transactions with the BSAM Group during the six months ending 31 December 2024 on top of the aforesaid expected transaction amount of contracts up to 30 June 2024 and the possible (but not entered into yet) contract amount of exceeding RMB20.00 million up to the Latest Practicable Date. Overall, we understood from the Company that when determining the proposed revised annual caps under the BSAM Framework Agreement, the management of the Company has considered (i) the aggregate expected transaction amounts to be paid by / to the BSAM Group for the FY2024 based on contracts secured up to 30 June 2024; (ii) that the aforesaid already represented significant premiums over the respective historical transaction amounts with the BSAM Group for the FY2021, FY2022 and FY2023; and included certain buffer for (iii) the possible (but not entered into yet) contract amount of exceeding RMB20.00 million up to the Latest Practicable Date; and (iv) new contracts or transactions with the BSAM Group during the six months ending 31 December 2024 apart from all the aforesaid. Considering that (i) the BSAM Group has increased demand for the Group's products and services as explained above; (ii) the historical transaction amounts paid by / to the BSAM Group for the FY2023 represented substantial premiums when compared with those for the FY2022; (iii) the expected transaction amounts paid by / to the BSAM Group for the FY2024 further represented premiums when compared with those for the FY2023; (iv) the aggregate expected contract sum of potential contracts to be awarded by the BSAM Group to the Group as estimated up to the Latest Practicable Date could exceed RMB20.00 million and could further contribute to the expected transaction amount to be paid by the BSAM Group to the Group for the FY2024; and (v) future transactions which may not be expected up to the Latest Practicable Date could arise between the Group and the BSAM Group, and that the Group believes that it is possible for it to enter into new contracts or transactions with the BSAM Group during the six months ending 31 December 2024 on top of the aforesaid expected transaction amount of contracts up to 30 June 2024 and the possible (but not entered into yet) contract amount of exceeding RMB20.00 million up to the Latest Practicable Date, we were of the view that the Company would be in need for more buffer in determining its proposed revised annual caps for the continuing connected transactions under the existing BSAM Framework Agreement taking into account the transaction amount already expected and incoming contract sum. Based on the above, we were of the view that the proposed revised annual caps under the existing BSAM Framework Agreement for the FY2024, which in general has been determined based on expected transaction amounts of contracts with the BSAM Group up to 30 June 2024 and additional possible contracts and transactions with the BSAM Group for the six months ending 31 December 2024, is fair and reasonable. We also noted that the proposed revised annual caps under the existing BSAM Framework Agreement for the FY2025 are the same as that for the FY2024. We have enquired with the Company and understood that it is because to the best knowledge of the Company, the increased demand for the Group's products and services by the BSAM Group, and vice versa, due to the aforesaid reasons shall have been substantially reflected in the expected transaction amounts between the Group and BSAM Group for the FY2024. The Company currently did not expect that the transaction amounts between the Group and BSAM Group for the FY2025 would represent significant premiums / discounts over those for the preceding year. In addition, the Company have considered that certain buffers have already been included when determining the annual caps under the BSAM Framework Agreement for the FY2024 because of the uncertainties in the final transaction

amounts between the Group and BSAM Group of the same year, and that such buffers are expected to be sufficient for accommodating the fluctuations in the expected transaction amounts between the Group and BSAM Group for the FY2025 when compared with the preceding year. Having considered (i) the aggregate expected transaction amounts between the Group and the BSAM Group for the FY2024 represented significant premiums over the historical transaction amounts between the Group and the BSAM Group for the three years ended 31 December 2023, indicating that the level of transactions between the BSAM Group and the Group has been increasing; (ii) certain buffers have been included when determining the annual caps under the BSAM Framework Agreement for the FY2024 because there could be further transactions between the Group and BSAM Group which were not expected currently; (iii) the Company currently did not expect that the transaction amounts between the Group and BSAM Group for the FY2025 would represent significant premiums / discounts over those for the preceding year; and (iv) we were not aware of factors which may cause us to believe that the Group's and the BSAM Group's operations will decline materially for the FY2025, we considered it acceptable for the Company to adopt the same annual cap for the BSAM Framework Agreement for the FY2025 as the preceding year.

In light of the above factors, we considered that the proposed revised annual caps under the existing BSAM Framework Agreement for the FY2024 and FY2025 are fair and reasonable.

#### **RECOMMENDATION**

Having considered the principal factors and reasons discussed above, we are of the opinion that (i) the entering into of the Capinfo Cloud Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the revision of the annual caps under the existing BSAM Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (iii) the terms of the Capinfo Cloud Framework Agreement are on normal commercial terms and are fair and reasonable; and (iv) the terms of the revision of the annual caps under the existing BSAM Framework Agreement are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the entering into of the Capinfo Cloud Framework Agreement and the proposed revision of the annual caps under the existing BSAM Framework Agreement and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**RED SOLAR CAPITAL LIMITED**



**Leo Chan**  
*Managing Director*

*Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry.*