

7 March 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir and Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE DIGITAL MARKETING TRAFFIC SALES FRAMEWORK AGREEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE DIGITAL MARKETING AND
DIGITAL RIGHT PRODUCTS AND SERVICES MUTUAL SUPPLY AGREEMENT**

I. 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 Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 7 March 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Both the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement were entered into between the Company and the Connected Party. The Connected Party is indirectly owned as to 70% by the sibling of Ms. Lam, a substantial shareholder of the Company. Therefore, the Connected Party is a connected person of the Company under the Listing Rules and the transactions contemplated under the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the



maximum amount of the Proposed Traffic Annual Caps is more than 5% and exceed HK\$10 million, the Digital Marketing Traffic Sales Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum amounts of the Proposed YS Digital Marketing and Digital Right Products Annual Caps and the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps are more than 5% and exceed HK\$10 million, the Digital Marketing and Digital Rights Products Mutual Supply Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors has any material interest in the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, therefore none of the Directors was required to abstain from voting on the Board resolutions for considering and approving the Digital Marketing Traffic Sales Framework Agreement, the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for Ms. Lam and her associate, Spring Harbour Development Limited, are entitled to exercise control over the voting right in respect of 119,400,000 Shares, representing approximately 28.77% of the issued share capital of the Company as at the Latest Practicable Date, who will be required to abstain from voting at the EGM, no other Shareholders had a material interest as at the Latest Practicable Date and would be required to abstain from voting at the EGM in respect of the resolutions in relation to the Digital Marketing Traffic Sales Framework Agreement, the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and the transactions contemplated thereunder.

Independent Board Committee

The Independent Board Committee, comprising Mr. Zhang Mingqun, Ms. Zou Guoying and Dr. Li Yao, has been established by the Company to advise the Independent Shareholders in respect of the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement. No member of the Independent Board Committee has any material interest in the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement. We, Hong Tai Capital (Hong Kong) Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Our independence

As at the Latest Practicable Date, we were not aware of any relationships or interests with the Group, the Connected Party and their respective associates or any other parties that could reasonably be regarded as relevant to the independence of us. In the previous two years from the date of the Circular, save for this engagement, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. We consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

II. BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular, provided to us by the Company, and expressed by the Directors and the management of the Company (the “**Management**”). We have assumed that all such statements, information, opinions and representations for which the Company, Directors and the Management are solely and wholly responsible, were true and accurate at the time when they were made and continued to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, and expectation made by the Directors were reasonably made after due enquiry and careful consideration. The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. 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 Directors and the Management. We, as the Independence Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We believe 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, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm 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 in the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration regarding the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent. The Shareholders will be informed of any material change of information in the Circular until the date of the EGM.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, we have considered the following principal factors and reasons:

1. The Group

The Company is an investment holding company, and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of mobile top-up services and digital marketing and digital right products and services.

1.1 Profit and Loss

Set out below is a summary of the profit and loss statement of the Group for the six months ended 30 June 2023 and 2024 and the years ended 31 December 2022 and 2023, based on the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report**”) and the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report**”).

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2023	2023	2024
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revenue	86.7	91.0	30.8	61.3
Gross Profit	72.5	73.8	24.5	48.1
Profit/(Loss) Before Tax	36.2	24.8	1.9	28.9
Profit/(Loss) After Tax	27.3	16.4	0.9	20.8

The revenue of the Group for the year ended 31 December 2023 (“**FY2023**”) increased slightly to approximately RMB91 million from approximately RMB86.7 million for the year ended 31 December 2022 (“**FY2022**”). The revenue for FY2023 mainly comprise revenue arising from mobile top-up services amounting to RMB83.8 million. The slight increase in revenue for FY2023 was mainly due to increase in revenue arising from digital marketing and digital right products and services to approximately RMB5.9 million from RMB24,000 for FY2022. However, the profit after tax of the Group for FY2023 decreased to approximately RMB16.4 million from approximately RMB27.3 million for FY2022 mainly due to increase in administrative expenses and decrease in other income.



The revenue of the Group for the six months ended 30 June 2024 (“**2024H1**”) increased significantly to approximately RMB61.3 million from RMB30.8 million for the six months ended 30 June 2023 (“**2023H1**”). The increase in revenue for 2024H1 was mainly due to the increase in revenue arising from mobile top-up services amounting to approximately RMB52.2 million for 2024H1 (2023H1: RMB29.1 million) and increase in revenue arising from digital marketing and digital right products and services amounting to approximately RMB8.9 million for 2024H1 (2023H1: RMB1.3 million). As a result of the increase in revenue, the profit after tax of the Group increased to approximately RMB20.8 million for 2024H1 (2023H1: RMB0.9 million).

1.2 Assets and Liabilities

Set out below is a summary of the balance sheet of the Group as at 30 June 2024, based on the interim report of the Group in 2024.

	As at 30 June 2024 <i>Unaudited</i> <i>RMB million</i>
Assets	
Current Assets	483.7
Non-current Assets	<u>7.3</u>
Total Assets	491.0
Liabilities	
Current Liabilities	180.3
Non-current Liabilities	<u>10.6</u>
Total Liabilities	190.9
Net Current Assets	303.4
Net Assets	300.1

The Group’s total assets of RMB491.0 million as at 30 June 2024 primarily comprised trade receivables amounting to approximately RMB292.7 million and prepayment, deposits and other receivables of approximately RMB109.3 million. The Group’s total liabilities of RMB190.9 million as at 30 June 2024 primarily comprised bank borrowings of approximately RMB90.5 million, trade payables of approximately RMB32.7 million and other payables and accruals of approximately RMB54.5 million.



2. Digital Marketing Traffic Sales Framework Agreement

Pursuant to the Previous Digital Marketing Traffic Sales Framework Agreement, the Company has been purchasing the Traffic Products from the Connected Party. The Previous Digital Marketing Traffic Sales Framework Agreement has expired on 31 December 2024. On 24 January 2025 (after trading hours), the Company and the Connected Party entered into the Digital Marketing Traffic Sales Framework Agreement in relation to the purchase of the Traffic Products by the Group from the Connected Party for a term commencing from 1 January 2025 to 31 December 2027.

2.1 Principal terms of the Digital Marketing Traffic Sales Framework Agreement

Date

24 January 2025

Parties

- (i) the Company; and
- (ii) the Connected Party

The Connected Party

As set out in the Letter from the Board, the Connected Party is a company established in the PRC with limited liability and is a wholly-owned subsidiary of 銀盛科技服務集團有限公司 (Yinsheng Technology Services Group Limited, for identification only), which in turn is held as to 70% by Ms. Lam's sibling. Ms. Lam is a substantial shareholder of the Company; therefore, the Connected Party is a connected person of the Company pursuant to Rule 14A.21(1)(b) of the Listing Rules.

The Connected Party is principally engaged in the sales of digital goods, value added business in finance and telecommunications industries.

Subject matter

The Connected Party shall supply the Traffic Products to the Group at prevailing market prices. The Parties shall enter into separate contracts to govern the underlying transactions according to the principles and conditions set out in the Digital Marketing Traffic Sales Framework Agreement. The Traffic Products supplied by the Connected Party primarily comprise mobile top-up credits.



Conditions precedent

The Digital Marketing Traffic Sales Framework Agreement is conditional upon:

- (i) the Digital Marketing Traffic Sales Framework Agreement and the Traffic Continuing Connected Transactions having been approved by the respective boards of directors of the Company and the Connected Party;
- (ii) all guarantees, representations and warranties given by the Company and the Connected Party under the Digital Marketing Traffic Sales Framework Agreement remaining valid, true and correct in all material respects; and
- (iii) the Independent Shareholders having approved the Digital Marketing Traffic Sales Framework Agreement and the transactions contemplated thereunder by way of poll at the EGM to be convened in compliance with the Listing Rules.

Save for condition precedent (ii) which can be waived by the Company or the Connected Party (as the case may be), none of the conditions precedent can be waived by the Company or the Connected Party. As at the Latest Practicable Date, condition set out in (i) and (ii) above has been fulfilled.

Term

Three years from 1 January 2025 to 31 December 2027

Others

Pursuant to the Digital Marketing Traffic Sales Framework Agreement, the Traffic Continuing Connected Transactions shall be conducted on normal commercial terms or better, in particular:

- (i) the terms of the Traffic Continuing Connected Transactions must be fair and reasonable and in the interest of the Shareholders as a whole;
- (ii) the terms of the Traffic Continuing Connected Transactions shall be no less favourable to the Group than terms available from independent third parties;
- (iii) the Traffic Continuing Connected Transactions shall be conducted after arm's length negotiations; and
- (iv) the Traffic Continuing Connected Transactions shall not exceed the Proposed Traffic Annual Caps without re-complying with the requirements of the Listing Rules with regard to continuing connected transactions.

2.2 Pricing Terms

As set out in the Letter from the Board, the price of the products supplied by the Connected Party to the Group will be based on the quoted price for the products to be supplied. Such quoted price will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to the prevailing market price for the same or substantially similar products, taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by independent third-party suppliers.

As stated in the Letter from the Board, in determining prevailing market prices for the Traffic Products provided to the Group by the Connected Party, the Group will obtain prevailing market prices through various channels, as appropriate, including (a) recent comparable transactions involving other independent third-party suppliers; (b) obtaining quotes for the Traffic Products from suppliers (including the Connected Party) through inquiries by telephone, email, etc.. To effectively determine prevailing market prices for the Traffic Products provided to the Group by the Connected Party, the Group should aim to obtain at least three quotations from different suppliers, including the Connected Party. Regarding the period of reference, the Group would consider price quotations and transactions from the last six months to ensure that the data reflects current market conditions. The Group will compare the quotations, product quality, service quality, technical capabilities, delivery speed, qualifications and related experience of the product suppliers and negotiate the contract terms with them. Based on the comprehensive evaluation, the Group's procurement department, after the approval by the responsible staff of such department, will conclude contract with the suppliers offering the best commercial terms.

Furthermore, as set out in the section headed "4. Internal Control Measures", the Group's finance department headed by the chief financial officer is responsible to review the pricing mechanism for the transactions under the Digital Marketing Traffic Sales Framework Agreement on a monthly basis to ensure that the prices charged for a specific transaction are comparable to independent third parties and are fair and reasonable and are determined in accordance with the applicable pricing policy and on normal commercial terms. The terms of the agreements and the prices will be reviewed and countersigned by the responsible staff of the Group's business department and executive director(s) of the Company to ensure that they are determined in accordance with the pricing policies.



In order to understand the implementation of the pricing procedures, we have randomly selected one month in 2024 and obtained relevant walkthrough documents from the Company in relation to actual purchases of mobile top-up credits and discussed with the Management regarding the pricing procedures of such purchases of mobile top-up credits. We noted that for that month, the Group's procurement department obtained quotations from three suppliers (including the Connected Party) and prepared an assessment report of suppliers of mobile top-up credits (the "Assessment Report"), comparing their prevailing prices, reliability, reputation, experience, qualifications, among others. The Assessment Report was reviewed and approved by the Group's business department, finance department and an executive director of the Company. We noted that the prices quoted by the Connected Party were lower than the prices quoted by other suppliers.

For our due diligence purpose, we have also obtained and reviewed a breakdown of the Group's purchase of mobile top-up credits in FY2023 and FY2024, it is noted that the average purchase price from the Connected Party was more favourable than the average purchase price from other independent third-party suppliers in both FY2023 and FY2024.

Taking into account the above Group's procedures in ensuring the purchase prices of mobile top-up credits from suppliers (including the Connected Party) to be the most favourable terms available to the Company, we consider the pricing terms of the Traffic Products to be fair and reasonable.

2.3 Historical transaction amounts and existing annual caps

The historical transaction amounts of the Group's purchases of the Traffic Products from the Connected Party for each of the three years ended 31 December 2024 and the annual caps are set out below:

	For the year ended 31 December			For the year ending 31 December		
	2022	2023	2024	2025	2026	2027
	RMB	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million	million
Historical transaction amounts	992.8	1,765.8	2,107	N/A*	N/A	N/A
Historical/proposed annual caps	1,500	2,000	2,400	3,000	3,000	3,600
Utilisation rate	66.2%	88.3%	87.8%	N/A	N/A	N/A

* During the period from 1 January 2025 to the Latest Practicable Date, the amount of the Traffic Products procured by the Group from the Connected Party amounted to approximately RMB325.5 million.

As set out in the Letter from the Board, the Proposed Traffic Annual Caps in respect of the Traffic Continuing Connected Transactions are determined with reference to (i) historical transaction amounts with the Connected Party in relation to the Traffic Products for the three years ended 31 December 2024, which shown an upward trend during the respective periods; (ii) the high utilisation rates of the annual caps under the Previous Digital Marketing Traffic Sales Framework Agreement, the Company is of the view since the pricing of the Traffic Products from the Connected Party is competitive, there is sufficient demand of the Traffic Products from the Connected Party during the period of the Previous Digital Marketing Traffic Sales Framework Agreement. The proposed increment in the Proposed Traffic Annual Caps would provide buffer to the Company to satisfy the demand of the Traffic Products from the Connected Party during the period of the Digital Marketing Traffic Sales Framework Agreement; and (iii) the anticipated increase in purchase volume of the Traffic Products by the Group with reference to the Group's operating scale in mobile top-up services for the six months ended 30 June 2024.

Having regard that 66.2%, 88.3% and 87.8% of the existing annual caps of RMB1,500 million, RMB2,000 million and RMB2,400 million for each of the years ended 31 December 2022, 2023 and 2024 respectively were utilised, we noted that majority portions of the existing annual caps were utilised for 2022, 2023 and 2024.

Based on the calculation details of the Proposed Traffic Annual Caps provided by the Company and reviewed by us, we noted that the Proposed Traffic Annual Caps are calculated as follows.

	For the year ending 31 December		
	2025	2026	2027
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Estimated total purchase of			
Traffic Products from all suppliers	20,000	20,000	20,000
Estimated percentage of Traffic			
Products to be purchased from			
the Connected Party	15%	15%	18%
Proposed Traffic Annual Caps	3,000	3,000	3,600

Based on a summary of the Group's purchase of mobile top-up credits provided by the Company and reviewed by us, we noted that the Group's total purchase of the Traffic Products from all suppliers amounted to approximately RMB12,779 million for the year ended 31 December 2024. Together with the additional estimated demand of Traffic Products from a major PRC state-owned bank of around RMB7,000 million in 2025, the Management estimates that the Group's total purchase of Traffic Products may reach up to RMB20,000 million (i.e. an approximate round up number of RMB12,779 million plus RMB7,000 million) annually during 2025-2027.

Based on discussion with the Management and our due diligence review of transaction records, we noted that the Traffic Product business is expected to grow as evidenced by (i) the expected increase in demand of Traffic Products from a major PRC state-owned bank of around RMB7,000 million starting from 2025, which the Group has formally submitted its application form for this contract and is confident to secure the contract due to its more than 10-year business relationship with the bank, with historical annual demand from the bank reaching up to RMB7,000 million, (ii) the significant 79.4% growth of the Group's mobile top-up service revenue from RMB29.1 million in 2023H1 to RMB52.2 million in 2024H1, and (iii) the 1.4% growth of the Group's total purchase of Traffic Product from RMB6,984 million in 2023H1 to RMB7,083 million in 2024H1.

The Proposed Traffic Annual Caps are estimated on the basis of 15% of the Group's total purchase of Traffic Products would be sourced from the Connected Party for 2025 and 2026. As discussed with the Management, we noted that the percentage of Traffic Products to be purchased from the Connected Party is estimated to increase to 18% for 2027 in view of the reliability, quality and price competitiveness of the Traffic Products provided by the Connected Party. Based on the summary of the Group's purchase of mobile top-up credits provided by the Company and reviewed by us, we found that during the year ended 31 December 2024, the percentages of Traffic Products purchased from the Connected Party ranged from 12% to 28% and the percentages of Traffic Products to be purchased from the Connected Party in the estimation of the Proposed Traffic Annual Caps fall within the historical range in 2024.

Taking into account the above basis of the Proposed Traffic Annual Caps with reference to (i) the historical records of the Group's purchase of Traffic Products, (ii) the expected increase in demand of Traffic Products from a major PRC state-owned bank, and (iii) the purchase of Traffic Products from the Connected Party is expected to fall below 20% of total purchase, which do not constitute excessive reliance on the Connected Party, we consider the Proposed Traffic Annual Caps to be fair and reasonable.

2.4 Reasons for and benefits of the transaction

The Group is principally engaged in the provision of mobile top-up services and digital marketing and digital right products and services. It is in the ordinary and usual course of the Group's business to source mobile top-up credits from suppliers. As set out in the Letter from the Board, the Connected Party has been supplying the Traffic Products to the Group for over 11 years and the Group has not encountered any issue with the Traffic Products supplied by the Connected Party in the past. The Group has been procuring, and is expected to continue to procure, the Traffic Products from the Connected Party in order to fulfill its customers' mobile top-up and mobile data usage top-up requests and therefore agreed to enter into the Digital Marketing Traffic Sales Framework Agreement for securing the relationship with the Connected Party.

The Board believes a strong relationship with experienced supplier is a strength, and the Group has established long standing business relationship with the Connected Party, the entering into of the Digital Marketing Traffic Sales Framework Agreement would help the

Group to secure access to suppliers with more convenient and efficient network and better service quality. The Board also considers that the Digital Marketing Traffic Sales Framework Agreement ensures a steady supply of these Traffic Products which is important to the Group's operation.

In view of the Connected Party having been a stable supplier of quality Traffic Products fulfilling the mobile top-up and mobile data usage top-up requests of the Group's customers, we agree with the Company that it is in the interest of the Company to enter into the Digital Marketing Traffic Sales Framework Agreement to secure a stable supply of quality Traffic Products from the Connected Party at prices no less favourable to market prices.

3. Digital Marketing and Digital Right Products and Services Mutual Supply Agreement

As stated in the Letter from the Board, on 24 January 2025 (after trading hours), the Company and the Connected Party entered into the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement in relation to (i) the purchase of the YS Digital Marketing and Digital Right Products and Services by the Group from the Connected Party; and (ii) the sale of the Company Digital Marketing and Digital Right Products and Services by the Group to the Connected Party for a term commencing from 1 January 2025 to 31 December 2027.

3.1 Principal terms of the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement

Date

24 January 2025

Parties

- (i) the Company; and
- (ii) the Connected Party

Subject matter

The Connected Party shall supply the YS Digital Marketing and Digital Right Products and Services to the Group at prevailing market prices. The parties shall enter into separate contracts to govern the underlying transactions according to the principles and conditions set out in the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement.



The Company shall supply the Company Digital Marketing and Digital Right Products and Services to the Connected Party at price and terms negotiated by the parties at arm's length and will be determined by the parties from time to time on normal commercial terms in the ordinary course of business. The parties shall enter into separate contracts to govern the underlying transactions according to the principles and conditions set out in the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement.

The Company provides that the YS Digital Marketing and Digital Rights Products and Services (to be supplied by the Connected Party) will primarily comprise gift cards for shopping in merchants' business including retailers such as supermarket and online shopping platforms, while the Company Digital Marketing and Digital Rights Products and Services (to be sold to the Connected Party) will comprise other digital rights products, such as for food and beverage, entertainment and living services, such as ride hailing-services.

Conditions precedent

The Digital Marketing and Digital Right Products and Services Mutual Supply Agreement is conditional upon:

- (i) the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and the Mutual Continuing Connected Transactions having been approved by the respective board of directors of the Company and the Connected Party;
- (ii) all guarantees, representations and warranties given by the Company and the Connected Party under the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement remaining valid, true and correct in all material respects; and
- (iii) the Independent Shareholders having approved the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, and the transactions contemplated thereunder by way of poll at the EGM to be convened in compliance with the Listing Rules.

Save for condition precedent (ii) which can be waived by the Company or the Connected Party (as the case maybe), none of the conditions precedent can be waived by the Company or the Connected Party. As at the Latest Practicable Date, condition set out in (i) and (ii) above has been fulfilled.

Term

Three years from 1 January 2025 to 31 December 2027

Others

Pursuant to the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, the Mutual Continuing Connected Transactions shall be conducted on normal commercial terms or better, in particular:

- (i) the terms of the Mutual Continuing Connected Transactions must be fair and reasonable and in the interest of the Shareholders as a whole;
- (ii) the terms of the Mutual Continuing Connected Transactions shall be no less favourable to the Group than terms available from or to independent third parties;
- (iii) the Mutual Continuing Connected Transactions shall be conducted after arm's length negotiations; and
- (iv) the Mutual Continuing Connected Transactions shall not exceed the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps and Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps without re-complying with the requirements of the Listing Rules with regard to continuing connected transactions.

3.2 Pricing Terms

The price of (i) the YS Digital Marketing and Digital Right Products and Services supplied by the Connected Party to the Group; and (ii) the Company Digital Marketing and Digital Right Products and Services supplied by the Group to the Connected Party, will be based on the quoted price for the products and services to be supplied. Such quoted price will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to the prevailing market price for the same or substantially similar products and services, taking into account the price of the same or substantially similar products and services with comparable order quantities and quality offered by independent third-party suppliers or offered to independent third-party customers. To effectively determine prevailing market prices for (i) the YS Digital Marketing and Digital Right Products and Services supplied by the Connected Party to the Group; and (ii) the Company Digital Marketing and Digital Right Products and Services supplied by the Company to the Connected Party, the Group would aim to obtain at least three quotations from different suppliers or ensure the quotation provides to the Connected Party will be determined at prevailing market price with reference to at least three historical transaction records to different customers, including the Connected Party and at least two independent third-party suppliers or customers. Regarding the period of reference, the Group would consider price quotations and transactions from the last six months to ensure that the data reflects current market conditions.



Furthermore, as set out in the section headed “4. Internal Control Measures”, the Group’s finance department headed by the chief financial officer is responsible to review the pricing mechanism for the transactions under the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement on a monthly basis to ensure that the prices for a specific transaction are comparable to independent third parties and are fair and reasonable and are determined in accordance with the applicable pricing policy and on normal commercial terms. The terms of the agreements and the prices will be reviewed and countersigned by the responsible staff of the Group’s business department and executive director(s) of the Company to ensure that they are determined in accordance with the pricing policies.

For our due diligence purpose, we have reviewed the internal control manual and noted the above internal control measures have been documented in the manual and circulated to the business department of the Group. Having considered that the Company has put in place the above pricing policy and procedures to ensure the prices of the YS Digital Marketing and Digital Right Products and Services and the Company Digital Marketing and Digital Right Products and Services to be fair and reasonable and no less favourable than prices available from or to independent third parties, we are of the view that the pricing terms are fair and reasonable.

3.3 Basis of the proposed annual caps

As set out in the Letter from the Board, the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps and the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps in respect of the Mutual Continuing Connected Transactions are determined with reference to (i) the prevailing overall business scale and operational scale of the Group for the year ended 31 December 2023 and for the six months ended 30 June 2024; (ii) the estimated demand amount from the customers of the YS Digital Marketing and Digital Right Products and Services and the Company Digital Marketing and Digital Right Products and Services with reference to the continuous growth in digital marketing service business of the Group for the year ended 31 December 2023 and for the six months ended 30 June 2024; (iii) the estimated growth of the digital marketing and digital right products and services market in the PRC based on the historical growth rate of the digital economy in the PRC; and (iv) the intention of promoting the development of digital economy by the PRC government.

Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps

The Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps are set out below.

	For the year ending 31 December		
	2025	2026	2027
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps	300	450	750

Based on a summary of the Group's purchase of digital right products and services provided by the Company and reviewed by us, we noted that the Group's total purchase of digital right products and services amounted to approximately RMB230 million for the year ended 31 December 2023 and approximately RMB2,247 million for the year ended 31 December 2024. The amount of the Group's total purchase of digital right products and services for the entire year of 2024 represented approximately 9.8 times of the Group's total purchase of digital right products and services for 2023.

The Company provides that the YS Digital Marketing and Digital Right Products and Services (to be purchased from the Connected Party) will primarily comprise gift cards for shopping in merchants' business. Based on the summary of the Group's purchase of digital right products and services for the year ended 31 December 2024 provided by the Company and reviewed by us, we noted that apart from the purchase from major suppliers which the Group intends to maintain stable business relationship, the Group's purchase of gift cards for shopping in merchants' business from other suppliers amounted to approximately 23% of the Group's total digital right products purchase.

Taking into account (i) the amount of the Group's total purchase of digital right products and services for the entire year of 2024 of RMB2,247 million, (ii) 23% of the Group's total purchase digital right products were from other suppliers which are easily replaceable and (iii) the Management intends to replace only 60% of other suppliers in 2025 as it is the first year the Group starts purchasing digital right products and services from the Connected Party, the Management considers an annual cap of RMB300 million (i.e. an approximate round down number of RMB2,247 million x 23% x 60%) in 2025 is suitable for the Group to purchase digital right products and services from the Connected Party as an alternative supply source to replace other suppliers.



Taking into account (i) the rapid growth of the Group's digital right products business in 2024, as evidenced by the significant 571.0% growth of the Group's digital marketing service revenue from RMB1.3 million in 2023H1 to RMB8.9 million in 2024H1, (ii) the historical growth in the size of the PRC digital economy, and (iii) the PRC government's commitment to further promote digital economy, the Management considers the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps for 2026 and 2027 of RMB450 million and RMB750 million, which represents annual growth rates of 50% for 2026 and 66.7% for 2027, are suitable. To assess the reasonableness of the above 50% and 66.7% annual growth rates, we discussed with Management and understand the following:

- The 50% and 66.7% growth rates are considered prudent and realistic for the Group's digital right products business over the next few years, despite the significant 571.0% growth in digital marketing service revenue in 2024H1 compared to 2023H1.
- The 50% and 66.7% increases in annual caps would enable the Group to earn extra profit by purchasing more digital right products from the Connected Party on terms no less favorable than those offered by independent third parties, which benefits the Company and its Shareholders.
- The pace of 50% and 66.7% growth helps the Group maintain healthy growth in its digital right products business while avoiding over-reliance on the Connected Party. Given the Group's total purchase of digital right products and services in 2024 is RMB2,247 million, the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps for 2025, 2026, and 2027 all account for less than half of the Group's total procurement.

For our due diligence purpose on the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps, we have obtained and reviewed a breakdown of the Group's total purchase of digital right products and services for the year ended 31 December 2024, we noted that (i) the total purchase amount was RMB2,247 million for the year 2024, and (ii) 23% of the total purchase came from suppliers with relatively smaller size, which the Management considers replaceable. We have also reviewed the interim report of the Company for 2023H1 and 2024H1, and noted that the digital marketing service revenue of the Company has grown by 571.0% in 2024H1 as compared to 2023H1.

Taking into account the above calculation basis of the annual caps with reference to the historical records of the Group's purchase of digital right products, the Group's rationale in deciding the growth in annual caps, and industry overview of PRC digital economy, we consider the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps to be fair and reasonable.



Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps

The Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps are set out below.

	For the year ending 31 December		
	2025	2026	2027
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps	50	80	100

The Company provides that the Company Digital Marketing and Digital Rights Products and Services (to be sold to the Connected Party) will comprise other digital rights products and services, such as for food and beverage, entertainment and living services, such as ride hailing-services (the “**Other Digital Right Products**”). Based on the summary of the Group’s sale of digital rights products and services provided by the Company and reviewed by us, we noted that the Group’s gross sale of Other Digital Right Products amounted to RMB4.2 million for the year ended 31 December 2023 and RMB114.8 million for the year ended 31 December 2024. The gross sale of the Other Digital Right Products for the entire year of 2024 represented approximately 27.3 times of the Group’s gross sale of the Other Digital Right Products for 2023.

Based on discussion with the Management, the Group’s budgeted sale of the Other Digital Right Products to the Connected Party in 2025 is RMB50 million, which is a prudent estimation with reference to the gross sale of Other Digital Right Products of RMB114.8 million in 2024 and the amount is within the Group’s operation capacity. Taking into account the rapid growth of the Group’s sale of the Other Digital Right Products in 2024, which was partly due to a relatively lower base in 2023, the Company proposed to raise the Company Digital Marketing and Digital Right Products and Services Annual Caps to RMB80 million in 2026 and RMB100 million in 2027. To assess the reasonableness of the above growth, we discussed with Management and understand the following:

- Despite the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps represents a significant portion of the Group’s Other Digital Right Products business given the gross sales was only RMB114.8 million in 2024, this product segment contributed only 0.4% of revenue in 2024H1, it is considered immaterial to the Group and hence there’s no over-reliance issue.
- Since the Other Digital Right Products segment is immaterial to the Group, no marketing effort will be allocated to it in the near future. As a result, the Management has first made a prudent estimate for the gross sales of Other Digital Right Products, projecting them to be RMB50 million for the year ending 31 December 2025.



- Based on the prudent estimate in the gross sales of Other Digital Right Products in 2025, which is RMB50 million, the Group expects this product segment to grow to RMB80 million in 2026 and RMB100 million in 2027. This aligns with the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps.
- The increases in annual caps would enable the Group to earn extra profit by selling more Other Digital Right Products to the Connected Party on terms no less favorable than those offered to independent third parties, which benefits the Company and its Shareholders.

In our due diligence on the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps, we have obtained and reviewed a breakdown of the Group's total sales of Other Digital Right Products for the year ended 31 December 2024, and noted that the gross sales amounted to RMB114.8 million during the year. Additionally, we have reviewed the Group's revenue breakdown and noted that the Other Digital Right Products segment accounted for only 0.4% of the Group's total revenue in the first half of 2024. Therefore, we agree that there is no over-reliance issue in this transaction. Given the immaterial scale of this product segment and the proposed annual caps for 2025, 2026 and 2027 are all within the Group's operational capacity, we consider the caps to be fair and reasonable.

Having regard that the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps were estimated with reference to the Group's historical sale of digital right products and services as set out above, we consider the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps to be fair and reasonable.

3.4 Reasons for and benefits of the transaction

The Group is principally engaged in the provision of mobile top-up services and digital marketing and digital right products and services. It is in the ordinary and usual course of the Group's business to source digital rights products and services from suppliers and sell digital rights products and services to customers.

As set out in the Letter from the Board, with the rapid development of the digital economy and changes in consumer behaviour, the Company continues to promote its transformation from tradition telecommunications services to a more innovative digital economy aspect, including but not limited to, the digital marketing and digital right segment.

The digital right segment is an innovative approach where vendors deliver attractive packages and discounts to target customers through digital channels, enhancing the overall digital marketing strategy. This segment leverages technology to create personalized offers that resonate with consumers' preferences and behaviours, allowing for a more tailored digital marketing experience.



The Company is of the view that by entering into the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, both parties can leverage their expertise in digital marketing and right services, allowing both parties to enhance the current offerings and enable both parties to provide a broader range of personalized digital right to the target customers more effectively.

We agree with the Company's view that it is in the interest of the Group to broaden its supplier and customer base by including the Connected Party as a supplier and customer in the Group's digital right products and services business as long as the prices of the YS Digital Right Products and Services and the Company Digital Marketing and Digital Right Products and Services are fair and reasonable and no less favourable than prices available from or to independent third parties.

4. Internal Control Measures

As set out in the Letter from the Board, for the purposes of ensuring that the continuing connected transactions will comply with the relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules and conduct on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole, and any relevant annual caps of the continuing connected transactions, including the Proposed Traffic Annual Caps, the Proposed YS Digital Marketing and Digital Right Products and Services Annual Caps, and the Proposed Company Digital Marketing and Digital Right Products and Services Annual Caps, will not be exceeded, the Group has adopted the following internal control measures:

- (i) before renewing, adding to the existing business and/or commencing new forms of business with any connected persons, the relevant business operations department, including but not limited to the Group's finance department, procurement department and the sales department, should first report to the senior management, and the senior management should assess whether the scope of the existing continuing connected transactions and the relevant proposed annual caps shall be renewed and/or whether new framework agreements shall be entered into for such new transactions on a timely basis. The Board would then consider taking appropriate measures in accordance with the requirements of the Listing Rules, including without limitation, re-complying with the announcement and shareholders' approval requirements (as the case may be);
- (ii) The Company has reminded, and will continue to remind, senior management and responsible staff within the Group that no transactions with connected persons may commence before a formal agreement is entered into with them;
- (iii) The Company has enhanced supervision over, and designated dedicated personnel to closely monitor the continuing connected transaction amount with any connected person on a daily basis to ensure that the respective transaction amount incurred and to be incurred will not exceed the de minimis transactions amount as stated under



Chapter 14A of the Listing Rules. In the event that the respective transaction amount incurred and to be incurred is expected to exceed such de minimis transactions amount, the dedicated personnel shall report to the management of the Company and inform the Board as soon as possible. The Board would then consider taking appropriate measures in accordance with the requirements of the Listing Rules, including without limitation, re-complying with the announcement and shareholders' approval requirements (as the case may be);

- (iv) before entering into individual procurement or sale contemplated under the continuing connected transactions, the procurement or sales department will be responsible for preparing the relevant procurement or sale in accordance with the Group's management systems on connected transaction, so as to ensure that the procurement or selling price conforms to the prevailing market rate and industry practice. The procurement or sales department will review the pricing on a yearly basis before the end of each year;
- (v) the Group's finance department headed by the chief financial officer is responsible to conduct a yearly review on the pricing mechanism for the transactions under the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement to ensure that the prices are determined in accordance with the pricing policies adopted by the Group on normal commercial terms, the chief financial officer will report to the Board, the audit committee of the Board and the independent non-executive Directors at the end of each review period;
- (vi) all individual procurement or sale contemplated under the continuing connected transactions will be entered into prior to the procurement or sale of such products. The Group's finance department headed by the chief financial officer is responsible to review the pricing mechanism for the transactions under the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement on a monthly basis to ensure that the prices charged for a specific transaction are comparable to independent third parties and are fair and reasonable and are determined in accordance with the applicable pricing policy and on normal commercial terms. The terms of the agreements and the prices will be reviewed and countersigned by the responsible staff of the Group's business department and executive director(s) of the Company to ensure that they are determined in accordance with the pricing policies and do not exceed the relevant annual caps, and such information will be cross-checked by the Group's chief financial officer and reported to the Board on a quarterly basis;
- (vii) the Group's finance department headed by the chief financial officer will be responsible to monitor the transaction amount of all the connected transaction agreements individually and collectively to ensure that on a standalone basis and an aggregate basis, they would comply with the Listing Rules and will not exceed the relevant annual caps on a daily basis. The finance department will report to the



Board on a half yearly basis regarding the amounts conducted during the period and the estimated amount in the following six months to facilitate the Board to monitor the actual amount of transaction amount, assess whether the relevant annual caps will be exceeded. In the event that the annual caps are exceeded, the Group shall enter into supplemental agreement with the relevant connected persons to agree on the revised annual caps and comply with the relevant requirements of the Listing Rules prior to the entering into further transactions with the connected persons in this regard;

- (viii) the Board will conduct a periodic review of the Company's internal control systems in relation to the transactions contemplated under the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and their effectiveness on a yearly basis;
- (ix) the independent non-executive Directors will continue to review the transactions contemplated under the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof; and
- (x) any Directors related to the Connected Party shall abstain from voting on the relevant Board resolutions in relation to such continuing connected transactions.

We noted from the Annual Report 2023 that, pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions under the Previous Digital Marketing Traffic Sales Framework Agreement conducted during the year ended 31 December 2023 and confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the Previous Digital Marketing Traffic Sales Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (iv) are subject to internal control procedures established by the Company which are sufficient and effective.

As set out in the Annual Report, the auditor of the Company also confirmed to the Directors that (i) for transactions involving the receipt of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions under the Previous Digital Marketing Traffic Sales Framework Agreement were not, in all material respects, in accordance with the internal and pricing policies of the Group; and (ii) with respect to the aggregate amount of the continuing connected transactions under the Previous Digital Marketing Traffic Sales Framework Agreement, nothing has come to their attention that causes the auditors of the Company to believe that the continuing connected transactions have exceeded the existing annual cap for the year ended 31 December 2023.

The continuing connected transactions will continue to be subject to the relevant annual review requirements pursuant to Rules 14A.55 to 14A.59 of the Listing Rules.

We consider that the above internal control measures, in conjunction with the pricing policy and procedures as set out in section 2.2 above in respect of the pricing terms of the purchase of the Traffic Products from the Connected Party and in section 3.2 above in respect of the pricing terms of the purchase of the YS Digital Marketing and Digital Right Products and Services from the Connected Party and the sale of the Company Digital Marketing and Digital Right Products and Services to the Connected Party, shall provide effective measures to monitor the continuing connected transactions to ensure them to be conducted in accordance with the Digital Marketing Traffic Sales Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement.

IV. RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Digital Marketing Traffic Sales Framework Agreement, the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, the Proposed Traffic Annual Caps, the Proposed YS Digital Marketing and Digital Rights Products Annual Caps and the Proposed Company Digital Marketing and digital Right Products and Services Annual Caps are fair and reasonable; and (iii) the entering into of the Digital Marketing Traffic Sales Framework Agreement and the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Digital Marketing Traffic Sales Framework Agreement, the Digital Marketing and Digital Right Products and Services Mutual Supply Agreement, the transactions contemplated thereunder, the Proposed Traffic Annual Caps, the Proposed YS Digital Marketing and Digital Rights Products Annual Caps and the Proposed Company Digital Marketing and digital Right Products and Services Annual Caps.

Yours faithfully,

For and on behalf of

Hong Tai Capital (Hong Kong) Limited



Douglas Cheung

Managing Director

Douglas Cheung is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Hong Tai Capital (Hong Kong) Limited who has over 8 years of experience in advising on corporate finance.