



Alliance Capital Partners Limited
同人融資有限公司

Room 03,
7/F Worldwide House,
Des Voeux Road
Central,
Hong Kong

11 July 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROMOTION COOPERATION FRAMEWORK AGREEMENT

A. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on whether the terms of the continuing connected transactions contemplated under the Promotion Cooperation Framework Agreement and the relevant Annual Caps are fair and reasonable, and on a normal commercial terms and in the interests of the Company and its shareholders as a whole. Details of which are set out in the section headed “**LETTER FROM THE BOARD**” contained in the Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 15 April 2025 and 23 April 2025, the Company announced that SZ Allegro (an indirect wholly-owned subsidiary of the Company), being the Service Provider, and the Service Receiver entered into the Promotion Cooperation Framework Agreement, pursuant to which the Service Provider shall provide advertising and promotional services to the Service Receiver from the date on which the Promotion Cooperation Framework Agreement becomes effective to 31 December 2027.

As at the Latest Practicable Date, (i) Mr. Chen Jiajun is indirectly holding 123,037,657 Shares (approximately 27.55% of the total issued share capital of the Company); and (ii) Mr. Chen's father is the controlling shareholder of Kingkey Group. As such, Kingkey Group is a connected person of the Company. Accordingly, the entering into of the Promotion Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the Services under the Promotion Cooperation Framework Agreement exceeds 5%, the provision of the Services shall be subject to the reporting, announcement, circular (including the independent financial advice), annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Promotion Cooperation Framework Agreement and the transactions contemplated thereunder and no Director was required under the Listing Rules to abstain from voting on the Board resolutions approving the Promotion Cooperation Framework Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Upsky Global Limited is interested in 123,037,657 Shares, representing approximately 27.55% of the total issued share capital of the Company. Upsky Global Limited is wholly-owned by Mr. Chen. Accordingly, Upsky Global Limited is deemed to have material interest in the Promotion Cooperation Framework Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps. Upsky Global Limited and its associates shall, therefore, abstain from voting at the SGM on the resolution in relation to the entering into of the Promotion Cooperation Framework Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Tang Po Lam Paulia, Mr. Chan Chiu Hung, Alex, Mr. Li Chaobo and Ms. Yang Wanning, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the transactions contemplated under the Promotion Cooperation Framework Agreement and the relevant Annual Caps.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we are independent from, and not associated with the Company or any other party to the Promotion Cooperation Framework Agreement, or their respective substantial shareholder(s) or other connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the terms of the Promotion Cooperation Framework Agreement and the relevant Annual Caps. There was no engagement between the Company and Alliance Capital in the past two years. Apart from this normal professional fee for our services to the Company in connection with the engagement as the Independent Financial Adviser, no other arrangements exist whereby we will receive any fees and/or benefits from the Company or any other party to the Promotion Cooperation Framework Agreement or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

B. BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the annual report of the Company for the year ended 31 December 2022;
- (ii) the interim report of the Company for the six months ended 30 June 2023;
- (iii) the voluntary announcement dated 14 March 2025 issued by the Company;
- (iv) the quarterly update on resumption progress dated 26 March 2025 issue by the Company;
- (v) the Promotion Cooperation Framework Agreement; and
- (vi) other information as set out in the Circular.

We have relied on (i) the statements, information and opinions contained or referred to in the Circular and/or the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”); (ii) the information and facts supplied by the Company and its advisers; and (iii) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true, complete, and accurate in all material respects at the time when they were made and continue to be so as at the date of the dispatch of the Circular. We have also assumed that all statements of belief, opinion, expectation, and intention made by the Management in the Circular are reasonably made after due enquiries and careful considerations.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We have no reasons 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 advisers and/or Directors, which have been provided to us.

We consider that we have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or its respective subsidiaries or associates.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the continuing connected transactions under the Promotion Cooperation Framework Agreement, we have considered the following principal factors and reasons:

1. Background information of the Company, the Service Provider and the Service Receiver

1.1 Information of the Company

The Group is principally engaged in investment holding while the subsidiaries of the Company are principally engaged in (i) the provision of advertising and Promotion services; and (ii) sale of household and personal care products to e-commerce platform.

1.2 Information of the Service Provider

The Service Provider is an indirect wholly-owned subsidiary of the Company, which is principally engaged in the provision of advertising and Promotion services.

1.3 Information of the Service Receiver

The Service Receiver is principally engaged in high-end technology investment, real estate, properties & hotel management, tourism, energy, transportation, food & beverages and other general entertainment businesses.

2. Reasons for and benefits of the continuing connected transactions

As mentioned in the Letter from the Board, the Management is of the view that the Company stands to benefit from the Promotion Cooperation Framework Agreement, as this enables further expansion of its advertising and Promotion business in the PRC, leveraging the recognition of Kingkey Group, being a well-established property management company in the PRC.

As disclosed in the Announcement, the Company has been actively developing its advertising and promotional business in the PRC by providing online and offline advertising and promotional services to Kingkey Group since March 2024, and the Company is satisfied with the progress made thus far. Given the success for the previous cooperation, the Company intends to further expand its advertising and promotional business in the PRC. In addition, the Group has been engaging in the provision of advertising and promotional services for over 20 years, and have extensive experience in managing projects and marketing campaigns, in particular, organising and managing large scale recruitment event which involves exhibition, decoration of shopping malls and exhibition halls and booth for employers and employees in Hong Kong. Antipating the

expansion into the PRC market and in supporting this potential cooperation, the Company has hired a project team leader with over 15 years of experience in the advertising and promotional industry in the PRC in January 2025. This key personnel will manage and oversee the project execution team. His extensive experiences, include planning and executing a wide range of advertising and promotional campaigns for renowned shopping malls such as Wanda Plaza, COCO Park, and INJOY in the PRC. Upon the appointment of the project team leader, there will be a team of three for SZ Allegro, comprising a director, the project team leader and a compliance officer, to provide advertising and promotional services in the PRC. The project team leader will be responsible for (i) the project execution by connecting with experienced downstream service providers in the PRC; and (ii) develop a clear and effective strategic vision for the development of business in the PRC. The director of SZ Allegro will be responsible for identifying new customers for SZ Allegro, and the compliance officer will be responsible for ensuring that the provision of services by SZ Allegro complies with the relevant requirement in the PRC. With the addition of the project team leader, the Company expects that the Company will be able to bring valuable market insights to customers like Kingkey Group. Therefore, considering (i) the Company's well-established reputation in the advertising and promotional industry, (ii) the addition of an experienced and professional team leader, and (iii) the number of projects held by Kingkey Group where the Company will be able to strengthen its reputation in the PRC and reach more customers of a similar scale as Kingkey after this cooperation, the Promotional Cooperation Framework Agreement serves as a great opportunity for the Company to enhance its market presence in the PRC.

Further, as discussed with the Management, we noted that Kingkey Group used to engage third-party service providers for advertising and promotional services through an independent open tender process for each project. Due to the varying scale, business models and internal policies of each service provider, the selection, negotiation, and coordination process were time-consuming. Given the numerous projects managed by Kingkey Group, dedicating such extensive human and time resources to the implementation of the relevant promotional activities each year was not efficient. In contrast, having previously cooperated with Kingkey Group, an efficient communication channel has been established between the Company and Kingkey Group, which streamlines communication and facilitates smoother project execution. In addition, as a listed company in Hong Kong, the Company adheres to elevated standards of corporate governance and compliance when compared to other small-scale service providers in the industry. This commitment ensures better compliance and greater transparency, thereby enhancing trust and credibility in the cooperations with Kingkey Group. In conclusion, the transaction contemplated under the Promotion Cooperation Framework Agreement is reciprocal, as it aims to not only expand the Company's advertising and promotional business in the PRC but also to provide Kingkey Group with a more stable and efficient service process.

In addition, as confirmed by the Company, having considered the inconveniences associated with hiring third-party service providers and taken into account the experience and track record of the Company's project execution team, Kingkey Group has formally committed in writing to hire the Company as the service provider for any upcoming

advertising and promotional activities of their five major shopping malls under the contract period of the Promotion Cooperation Framework Agreement. Details of the provision of Services are set out in the section headed “**THE PROMOTION COOPERATION FRAMEWORK AGREEMENT**” in the “**LETTER FROM THE BOARD**” in the Circular.

In light of the above, the Directors are of the view and we concur that it is beneficial to continue its business relationship with Kingkey Group with an aim to expand the Company’s business footprint in the PRC and entering into the Promotion Cooperation Framework Agreement is in the interests of the Company and its Shareholders as a whole.

3. Principal terms of the Promotion Cooperation Framework Agreement

Details of the terms of the Promotion Cooperation Framework Agreement are set out in the section headed “**THE PROMOTION COOPERATION FRAMEWORK AGREEMENT**” in the “**LETTER FROM THE BOARD**” in the Circular.

(a) Annual Caps

Set out below are the Annual Caps under the Promotion Cooperation Framework Agreement:

	Annual Caps (RMB'000)
From 1 May 2025 to 31 December 2025	10,500 (Note 1)
For the year ending 31 December 2026	16,000
For the year ending 31 December 2027	16,000

Note:

- (1) This amount is calculated by dividing the proposed annual cap of RMB16.0 million by 12 months, multiplying by 8 months (i.e., from 1 May to 31 December 2025), and rounding down of the result.

The Management is of the view that the proposed Annual Caps should be determined at RMB10.5 million, from 1 May 2025 to 31 December 2025, and further increase to RMB16.0 million and RMB16.0 million for the two years ending 31 December 2027, respectively. Despite the proposed Annual Caps are greater than the historical service amount of RMB2.4 million with Kingkey Group for the year ended 31 December 2024, which were mainly related to the provision of advertising and promotional services on newly launched residential projects of Kingkey Group (the “**Previous Cooperation**”), the Management is of the view and we concur that the nature of the services provided in the Previous Cooperation differs from those under the Promotion Cooperation Framework Agreement, which will primarily focus on the provision of advertising and promotional services for existing shopping malls of

Kingkey Group, therefore, the historical transaction amount is not a suitable reference for determining the proposed Annual Caps.

The Annual Caps for the advertising and promotional services outlined in the Promotion Cooperation Framework Agreement are determined with reference to the historical average annual costs incurred for advertising and promotional services work at Kingkey Group's five major shopping malls in the Greater Bay Area for the two years ended 31 December 2024, which amounted to approximately RMB16.2 million. The Management believes that the proposed Annual Cap of RMB16.0 million, determined based on the advertising and promotional costs of Kingkey Group over the two-year period, most accurately reflects the market's return to normal conditions following the end of the pandemic and the resumption of cross-border travel. In this connection, we concur that the basis and assumption for the proposed Annual Caps are fair and reasonable.

We have discussed with Management and obtained the statistical report on the historical incurred cost of advertising and promotional services work for each of the five major shopping malls of Kingkey Group from their purchasing department, through the Company (the "Statistical Report"). Additionally, we reviewed Kingkey Group's official website to verify the accuracy of the information regarding each shopping mall listed in the Statistical Report and to understand their market positioning. We also compared the historical advertising and promotional services costs mentioned in the Statistical Report with publicly available information on their geographic locations, sizes, mall positioning, opening dates, and marketing strategies from the past two years. This analysis helped us assess whether the cost structure stated in the Statistical Report is reasonable. Set out below is the quantitative analysis in arriving at the Proposed Annual Caps:

	The incurred cost of advertising and promotional services work of Kingkey Group for the two financial years ended 31 December 2024 (RMB)
Shopping mall A	6,110,000 (Note 1)
Shopping mall B	6,110,000 (Note 2)
Shopping mall C	4,090,000 (Note 3)
Shopping mall D	11,890,000 (Note 4)
Shopping mall E	4,080,000 (Note 5)
The total incurred cost for the two financial year ended 31 December 2024	32,280,000 (Note 6)
The average incurred cost for a financial year	16,140,000 (Note 7)

Notes:

1. The amount represents the aggregate of the actual promotion service expenses of approximately RMB3.0 million for FY2023; and approximately RMB3.1 million for FY2024 for Shopping mall A.
2. The amount represents the aggregate of the actual promotion service expenses of approximately RMB2.9 million for FY2023; and approximately RMB3.2 million for FY2024 for Shopping mall B.
3. The amount represents the aggregate of the actual promotion service expenses of approximately RMB1.9 million for FY2023; and approximately RMB2.2 million for FY2024 for Shopping mall C.
4. The amount represents the aggregate of the actual promotion service expenses of approximately RMB7.3 million for FY2023; and approximately RMB4.6 million for FY2024 for Shopping mall D.
5. The amount represents the aggregate of the actual promotion service expenses of approximately RMB2.0 million for FY2023; and approximately RMB2.08 million for FY2024 for Shopping mall E.
6. The amount represents the sum of the actual promotional services expenditure for the two financial years ended 31 December 2024 for Shopping malls A, B, C, D and E.
7. The amount represents the average of the sum of the actual promotional services expenses of Shopping malls A, B, C, D and E for the two financial years ended 31 December 2024 (i.e. RMB32.28 million ÷ 2).

In order to assess whether the basis for determining the proposed Annual Caps is fair and reasonable, we discussed with the Management for the rationale behind. From the Statistical Report, we noted that the historical annual advertising and promotional expenditure for the five major shopping malls of Kingkey Group accumulated to approximately RMB17.1 million and RMB15.2 million for the two years ended 31 December 2024, respectively, with annual average of approximately RMB16.2 million. Further, we are also advised that Kingkey Group has committed hire the Company as the service provider for any upcoming advertising and promotional activities of their five major shopping malls under the contract period of the Promotion Cooperation Framework Agreement. In this connection, the Management is of the view, and we concur that the basis and assumption for the proposed Annual Caps are fair and reasonable.

In light of the above, we concur with the view of the Management that the proposed Annual Caps have taken into account the average annual costs incurred for advertising and promotional services work at Kingkey Group for the two years ended 31 December 2024, are fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

(b) Pricing policy

As mentioned in the Letter from the Board, the service fee charged by the Company under the Promotion Cooperation Framework Agreement will be determined by both parties based on normal commercial terms after arm's length negotiations. The fee will be calculated on a cost-plus basis, taking into account several factors, including the latest competitive rates available, which is defined as the profit margin charged for similar marketing and promotional services in the PRC market, where such services are conducted in the same geographic area where Kingkey's malls are located ("**Competitive Rate**").

In assessing the fairness and reasonableness of the pricing policy under the Promotion Cooperation Framework Agreement, we obtained and reviewed a market research report on profit margins charged for general contracting services in the marketing and promotional industry in the PRC (the "**Industry Report**") from an industry expert, China Insights Consultancy ("**CIC**"). CIC is a research firm primarily engaged in providing industry insights and strategic advisory services. They had participated in over 3,000 due diligence projects for Initial Public Offering, covering over 800 subdivided industries, with over 1,000,000 experts to compile industry data for their reports. According to the Industry Report, the recent Competitive Rate for general contracting services in the advertising and promotional industry ranged from 2.0% to 5.0%. We had conducted below due diligence works about the rationale behind in arriving at the said range in the Industry Report.

- (1) We interviewed CIC regarding the research methodology and process. We noted that the methodology primarily consisted of interviews with (i) Shenzhen-based shopping malls and (ii) service providers engaged in providing marketing and promotional contracting services for Shenzhen-based shopping malls in order to benchmark the Competitive Rate. The research process included (i) questionnaire design, (ii) interviews with Shenzhen-based shopping malls and services providers, (iii) all gathered information undergoes rigorous validation, cross-referenced against CIC's proprietary databases to ensure data reliability, (iv) CIC produces detailed industry research reports based on authenticated information and data obtained through this methodology.
- (2) We obtained and reviewed the underlying interview notes compiled by CIC, which included interviews with four marketing and procurement principals of Shenzhen-based shopping malls. We noted that all the interviewed shopping malls have previously procured marketing and promotion services similar to the Scope of service, and the corresponding interviewees were directly responsible for procurement decisions.

- (3) We obtained and reviewed the underlying interview notes compiled by CIC, which included interviews with six service providers engaged in providing marketing and promotional contracting services for Shenzhen-based shopping malls. We noted that all the interviewed service providers have previously provided marketing services to Shenzhen-based shopping malls under Kingkey Group and also delivered similar services with identical scopes to other shopping malls in Shenzhen.

In light of the above, CIC is of the view and we concur that the research methodology and process, and the selection of these interviewees is representative, capable of accurately and objectively reflecting the Competitive Rate for marketing and promotional services rendered to Shenzhen shopping malls, which are directly comparable to those provided by the Company to Kingkey Group.

Since the services provided by the Company are not commoditised and may vary significantly on a case-by-case basis – depending on factors such as mall positioning, the scale of the marketing campaigns, and macroeconomic conditions at that time – the Company will use 5.0% from this range as the indicative profit margin for determining the service fee charged to Kingkey Group in the future (“**Indicative Profit Margin**”), as this represents the highest Competitive Rate available thus far. In any case, the Company will not charge Kingkey Group a profit margin lower than the Indicative Profit Margin. As far as we understand, the Management would regularly review comparable prices for similar services offered to independent customers, and obtain quotations from other service providers with similar scale as the Company for price comparison.

In light of the above, the Management is of the view and we concur that the Indicative Profit Margin to be provided by the Company to Kingkey Group under the Promotion Cooperation Framework Agreement is fair and reasonable.

Despite the fact that the revenue ratio of the proposed Annual Caps represents over 31% of the Group’s total revenue for the year ended 31 December 2022, after taking into account the Indicative Profit Margin of 5% as disclosed above, the annual gross profit is expected to be approximately RMB0.8 million under the proposed Annual Caps, which only represents approximately 2.8% of the Group’s total gross profit for the year ended 31 December 2022. In addition, the Company believes that as the cooperation with Kingkey Group increases, it can leverage this track record to maximize the resources invested, providing this service to more independent customers in the foreseeable future and further expanding its customer base. As such, the Management is of the view and we concur that the Promotion Cooperation Framework Agreement would not lead to material reliance of the Company on Kingkey Group.

(c) Periodic review and internal control

To ensure the Company's conformity with the above pricing policy in relation to the transactions contemplated under the Promotion Cooperation Framework Agreement and the proposed Annual Caps will not be exceeded, we have reviewed the internal control policies of the Company in relation to connected transaction. Details of the policies are set out in the section headed "**INTERNAL CONTROL PROCEDURES**" in the "**LETTER FROM THE BOARD**" in the Circular.

By implementing the procedures set out therein, the Directors consider that, and we concur that the Company has established appropriate internal control measures to ensure (i) the proposed Annual Caps will not be exceed, and (ii) the transactions contemplated under the Promotion Cooperation Framework Agreement will be on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

In addition, we have obtained (i) three quarterly reports for the connected transactions conducted during March 2024 to December 2024, and (ii) a meeting minutes of the Board dated 3 March 2025 containing details of the connected transactions with Kingkey Group during the year ended 31 December 2024, which are in line with the protocol stated in the section headed "**INTERNAL CONTROL PROCEDURES**" in the "**LETTER FROM THE BOARD**" in the Circular. Therefore, we are of the view that the Company has sufficient and effective internal control policy to ensure the proposed Annual Caps will not be exceed and the pricing policy are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

D. RECOMMENDATION

In conclusion, we are of the view that the entering into the Promotion Cooperation Framework Agreement is in ordinary course of business, on normal commercial terms, which are fair and reasonable so far as the Company's Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. Accordingly, we advise the Company's Independent Board Committee to recommend, and we ourselves recommend, that the Company's Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the relevant continuing connected transactions and the Annual Caps under the Promotion Cooperation Framework Agreement.

Yours faithfully,
For and on behalf of
Alliance Capital Partners Limited


Ray Chan
Executive Director

Mr. Ray Chan is a licensed Type 1 & 6 person registered with the Securities and Futures Commission and as a responsible officer of Alliance Capital Partners Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry, including initial public offerings and transactions involving companies listed in Hong Kong and the provision of independent financial advisory services.