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Zibuyu Group Limited
子不语集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2420)

CONNECTED TRANSACTION
ENTERING INTO THE INFORMATIZATION CONSTRUCTION AND
DEVELOPMENT CONTRACT

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DEVELOPMENT CONTRACT

On 8 January 2024 (after trading hours), Zhejiang Zibuyu entered into the Informatization Construction and Development Contract with Hangzhou Shuzhi, pursuant to which Zhejiang Zibuyu engaged Hangzhou Shuzhi to provide intelligent informatization construction, development and research services for a term of one year from 8 January 2024 to 7 January 2025, with an aggregate development fee of RMB12.0 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Hua, an executive Director of the Company, directly holds 26.87% equity interest in Hangzhou Shuzhi. Ningbo Ruyu directly holds 25% equity interest in Hangzhou Shuzhi and Mr. Hua holds 80% equity interest in Ningbo Ruyu. Therefore, Hangzhou Shuzhi is a connected person of the Company. According to Chapter 14A of the Listing Rules, the transaction contemplated under the Informatization Construction and Development Contract constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) for the transaction under the Informatization Construction and Development Contract exceed 0.1% but are less than 5%, the transaction contemplated under the Informatization Construction and Development Contract is subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The key terms of the Informatization Construction and Development Contract are summarized as below:

Date:	8 January 2024 (after trading hours)
Parties:	(i) Zhejiang Zibuyu; and (ii) Hangzhou Shuzhi
Scope of service and development fee:	Hangzhou Shuzhi agreed to provide certain intelligent informatization construction, development and research services to Zhejiang Zibuyu, including:

Service items	Annual fee
1. Data analysis services, including:	
Analysis of integrated business-finance management and operations	RMB2.0 million
Analysis of business operations	RMB1.0 million
Analysis of supply chain operations and management	RMB1.0 million

Service items	Annual fee
2. Advertising project services, including:	
Intelligent strategy service	RMB1.5 million
Operation model upgrade service	RMB1.0 million
Enhancement of product capabilities service	RMB3.0 million
Private domain deployment service	RMB0.5 million
3. Artificial intelligence (“AI”) algorithm services, including:	
Large language model algorithm service	RMB0.4 million
Selected products image algorithm service	RMB0.7 million
CEM label recognition service	RMB0.5 million
Attribute labeling service	RMB0.2 million
Supply chain sales volume forecast modeling service	RMB0.2 million
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Total	<u>RMB12.0 million</u>

The aforesaid fees were determined after arm’s length negotiations between the parties with reference to the following factors:

- (i) the annual fee for data analysis services was determined based on the average salary of the relevant service team of Hangzhou Shuzhi;
- (ii) the annual fee for advertising project services was determined with reference to the future advertising expense of Zhejiang Zibuyu as well as the fee charged by Hangzhou Shuzhi to the independent third parties; a commission of 1.5% of the advertising expenses is generally charged by Hangzhou Shuzhi to independent third parties; and
- (iii) the annual fee for AI algorithm services was determined based on the average salary of the relevant service team of Hangzhou Shuzhi.

- Duration: The term of service commences from 8 January 2024 to 7 January 2025
- Terms of Payment: The monthly development fee payable by Zhejiang Zibuyu to Hangzhou Shuzhi is RMB1.0 million (the “**Monthly Development Fee**”). The Monthly Development Fee for the first month shall be paid within 7 days after entering into the Informatization Construction and Development Contract, and the remaining Monthly Development Fee thereafter shall be paid before 15th day of each month.
- Other term: The intellectual property rights of the system products and their source codes, algorithm models, technical solutions, software development and other services (including but not limited to source codes, project products, research and development documents) provided by Hangzhou Shuzhi during the term of service shall be exclusively owned by Zhejiang Zibuyu.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INFORMATIZATION CONSTRUCTION AND DEVELOPMENT CONTRACT

The Board considers that the entering into the Informatization Construction and Development Contract by Zhejiang Zibuyu with Hangzhou Shuzhi will bring the following benefits to the Group:

- (i) In terms of data analysis services, Hangzhou Shuzhi has relatively mature experience in the development of data analysis products, and the data analysis tools it has developed can provide more refined and comprehensive support for the decision-making of the management of the Company and enhance the efficiency and quality of the Company’s decision-making in various segments, forming a new driving force for the Company’s future growth;
- (ii) In terms of advertising project services, the advertising cost can be effectively reduced by the Intelligent Advertising System developed by Hangzhou Shuzhi. The Acos (i.e. advertising cost as a percentage of sales) of the Intelligent Advertising System are lower as compared to that of traditional manually placed advertisements; and
- (iii) In terms of AI algorithm services, as the industry trend, they play an indispensable role in the transformation of traditional cross-border enterprises. Hangzhou Shuzhi will be able to assist the Company in handling multilingual conversion and Listing generation (i.e. creating and publishing product lists on e-commerce platforms or online markets) by using large language model, optimizing product detail pages, and improving conversion rates. By utilizing image algorithm models for product identification and image search, it can help to identify market trends, recommend

popular element combinations, and increase hit rate of the products. In addition, Hangzhou Shuzhi's text cleaning and mining algorithm models can analyze user reviews and public opinion data, which helps the Company to better understand market demand and user preferences in order to optimize product selection and marketing strategies.

The Directors (including the independent non-executive Directors) are of the view that the Informatization Construction and Development Contract are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in sale of apparel products and footwear products.

Zhejiang Zibuyu

Zhejiang Zibuyu is a company incorporated in the PRC with limited liability. It is a wholly-owned subsidiary of the Group and principally engaged in technology development and transfer of technological achievements in relation to computer software technology and internet of things technology; computer system integration; network technology development, multimedia product design; design and research and development.

Hangzhou Shuzhi

Hangzhou Shuzhi is a company incorporated in the PRC with limited liability. It is principally engaged in technical services, technology development, technical consulting, technology exchange, technology transfer, technology promotion; software development; software sales; data processing and storage support services; big data services; internet data services; data processing services; information technology consulting services; information consulting services (excluding information consulting services subject to licensing), etc.

As at the date of this announcement, Hangzhou Shuzhi is owned as to 26.87%, 25%, 20%, 15%, 3.47%, 3.47%, 3.47%, 1%, 0.43%, 0.43%, 0.43% and 0.43% by Mr. Hua, Ningbo Ruyu, Hangzhou Klein Enterprise Management Partnership (Limited partnership)* (杭州克萊因企業管理合夥企業(有限合夥)) (in which Mr. Peng Yulong, the chief technology officer of the Company, serves as its executive partner), Hangzhou Kramer Enterprise Management Co., Ltd.* (杭州克萊默企業管理有限公司) (owned as to 99% by Mr. Peng Yulong, chief technology officer of the Company), Banmu Fangtang (Shenzhen) Investment Development Co., Ltd.* (半畝方塘(深圳)投資發展有限公司) (100% owned by Mr. Dong Zhenguo, an executive Director of the Company), Mr.

Wang Weiping (an executive Director of the Company), Aqi (Shenzhen) Investment Development Co., Ltd.* (愛頡(深圳)投資發展有限公司) (100% owned by Mr. Wang Shijian, a former Director), Mr. Cheng Bing (a senior management of the Group), Weiyoyuan (Shenzhen) Investment Development Co., Ltd.* (為有源(深圳)投資發展有限公司), Mr. Yu Hegui, Mr. Yang Xinmin and Hangzhou Danxi Enterprise Management Co., Ltd.* (杭州旦兮企業管理有限公司) (controlled by Mr. Xu Shijian, the chief financial officer of the Company) respectively. Mr. Hua holds 80% equity interest in Ningbo Ruyu.

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Due to their respective shareholdings in Hangzhou Shuzhi, Mr. Hua, Mr. Dong Zhenguo and Mr. Wang Weiping, the executive Directors, had abstained from voting on the relevant resolutions of the Board approving the Informatization Construction and Development Contract and the transaction contemplated thereunder. Save as disclosed above, none of the other Directors have any material interests in the Informatization Construction and Development Contract and the transaction contemplated thereunder, and therefore none of them are required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following defined expressions have the following meanings:

“Board” or “Board of Directors” the Board of Directors of the Company

“Company” or “the Company”	Zibuyu Group Limited (子不语集团有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 2420)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Shuzhi”	Hangzhou Shuzhi Technology Co., Ltd.* (杭州數織科技有限公司), a limited liability company established in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Informatization Construction and Development Contract”	the informatization construction and development contract dated 8 January 2024 entered into between Zhejiang Zibuyu and Hangzhou Shuzhi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Hua”	Mr. Hua Bingru, the executive Director, chairman of the Board and a controlling shareholder of the Company
“Ningbo Ruyu”	Ningbo Ruyu Investment Co., Ltd.* (寧波如餘投資有限公司), a limited liability company established in the PRC, which is owned as to 80% by Mr. Hua
“percentage ratio(s)”	has the meaning ascribed thereto under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Zhejiang Zibuyu”	Zhejiang Zibuyu Electronic Commerce Co., Ltd. (浙江子不語電子商務有限公司), a limited liability company established in the PRC, which is a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Zibuyu Group Limited
Hua Bingru
Chairman

Hong Kong, 8 January 2024

As at the date of this announcement, the Board comprises Mr. Hua Bingru, Mr. Wang Weiping and Mr. Dong Zhenguo as the executive Directors; Ms. Hua Hui as the non-executive Director; and Mr. Yu Kefei, Mr. Shen Tianfeng and Dr. Lau Kin Shing Charles as the independent non-executive Directors.