CONNECTED PERSONS

The Contractual Arrangements were entered into between our Group and certain persons, as set out below, that will become connected persons of our Company upon [**REDACTED**]. Accordingly, the Contractual Arrangements will become connected transactions of our Company upon the [**REDACTED**].

Name of connected person	Relationship
Mr. REN Zhe	Controlling Shareholder, chairman of the Board, executive Director and chief executive officer of the Company
Mr. ZHU Xiaopu	Controlling Shareholder, executive Director and chief operating officer of the Company

CONTRACTUAL ARRANGEMENTS

(a) Background

As disclosed in the section headed "Contractual Arrangements", due to regulatory restrictions on foreign ownership in the PRC, the Group conducts a portion of its business through the Consolidated Affiliated Entities in the PRC. Upon completion of the [**REDACTED**], the Company will not hold any equity interests in the Consolidated Affiliated Entities. Instead, through the Contractual Arrangements, the Company maintains effective control over the Consolidated Affiliated Entities. The Contractual Arrangements among the Company, Beijing Linke, Beijing Milian and the Registered Shareholders enable the Company to (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Beijing Linke; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities when and to the extent permitted by PRC laws. See the section headed "Contractual Arrangements" for further details of the Contractual Arrangements.

(b) Listing Rule implications

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company's "connected persons". The transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions of the Company after the [**REDACTED**]. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(c) Waiver application

(i) Reasons for the waiver application

The Directors believe that the Group's structure, whereby the financial results of the Consolidated Affiliated Entities are consolidated into the Group's financial statements as if they were the Company's wholly-owned subsidiaries, and substantially all the economic benefits of their business will flow to the Group, places the Group in a special position in relation to the connected transaction requirements under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with all applicable requirements under Chapter 14A of the Listing Rules, including, among other things, announcements and independent Shareholders' approval.

In addition, given the Contractual Arrangements were entered into prior to the [**REDACTED**] and are disclosed in this document, the Directors consider that compliance with the announcement and the independent Shareholders' approval requirements immediately after completion of the [**REDACTED**] would not serve any meaningful purpose and would add unnecessary administrative burden to the Company.

To ensure the sound and effective operation of the Group under the Contractual Arrangements, the management of the Group has implemented the following measures:

- as part of the internal control measures, major issues arising from the implementation and performance of the Contractual Arrangements shall be reviewed by the Board on a quarterly basis or more frequently if necessary. The Board shall determine, as part of its periodic review process, whether legal advisors and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;

- matters relating to compliance and any regulatory enquiries from governmental authorities, if any, shall be discussed by the Board on a quarterly basis or more frequently if necessary;

- the relevant business units and operation divisions of the Group shall report to the senior management of the Company on a monthly basis or more frequently if necessary regarding the compliance and performance of the Contractual Arrangements and other related matters; and

- the Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

(ii) Conditions of the waiver application

In view of the Contractual Arrangements, we have applied to the Stock Exchange for a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are [**REDACTED**] on the Stock Exchange, subject to the following conditions.

(1) No change without the independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Beijing Linke thereunder) shall be made without the prior approval of the independent non-executive Directors.

(2) No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of the Company will continue to be applicable.

(3) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) the Group's options (if and when so allowed under the applicable PRC laws and regulations) to acquire all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profits generated by the Consolidated Affiliated Entities are substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to Beijing Linke by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement, and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(4) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced without obtaining the approval of the Shareholders provided that such renewal and/or reproduction does not involve any change to the Registered Shareholders: (i) upon expiry of the existing arrangements, or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of the Group and transactions between these connected persons and the Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals. Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

(5) Ongoing reporting and approvals

The Company will disclose details relating to the Contractual Arrangements on an on-going basis:

- the Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules; the independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the relevant financial period above are fair and reasonable and in the interests of the Company and its Shareholders as a whole;

- the Company's auditors will carry out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual

Arrangements and will provide a letter to the Directors confirming whether anything has come to their attention that causes them to believe that (i) the transactions have not been approved by the Directors, (ii) the transactions have not been entered into, in all material respects, in accordance with the relevant Contractual Arrangements and (iii) dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as the Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and

- the Consolidated Affiliated Entities will undertake that, for so long as the Shares are [**REDACTED**] on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group's management and the Company's auditors full access to its relevant records for the purpose of the Company's auditors' reporting on the continuing connected transactions.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group's legal structure and business operations, and that the relevant transactions have been and will be entered into in its ordinary and usual course of business, are conducted on normal commercial terms or better, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the documentation provided by the Company and the Sole Sponsor's due diligence, the representations and confirmations provided by the Company and the Directors to the Sole Sponsor and discussions with the Company and the PRC Legal Advisor to the Company, nothing has come to the attention of the Sole Sponsor that would lead it to cast doubts on the confirmation of the Directors that the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in its ordinary and usual course of business, are conducted on normal commercial terms or better, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole. The Sole Sponsor is also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.