
CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon [REDACTED].

EXEMPT CONTINUING CONNECTED TRANSACTION

Background

On 22 February 2019, our Company entered into a corporate secretarial support service agreement with AE Majoris Corporate Services Company Limited (“**Company Secretary Agreement**”), pursuant to which AE Majoris Corporate Services Company Limited agreed to provide company secretarial services to our Company for a period of three years commencing from the [REDACTED]. The Company Secretary Agreement will take effect upon the [REDACTED] for a fixed term of 3 years.

Listing Rules implications

Since Mr. Tsui Wing Tak, a non-executive Director, is the sole shareholder of AE Majoris Corporate Services Company Limited, AE Majoris Corporate Services Company Limited will be a connected person of our Company upon [REDACTED] and the provision of company secretarial services pursuant to the Company Secretary Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Annual caps and basis

With reference to the annual professional fees of HK\$600,000 payable by our Company to AE Majoris Corporate Services Company Limited for the provision of company secretarial services pursuant to the Company Secretary Agreement, the aggregate amount of transactions between our Company and AE Majoris Corporate Services Company Limited for each of the three years ending 31 December 2019, 2020 and 2021 will not exceed HK\$600,000. The professional fees under the Company Secretary Agreement is payable on a monthly basis and was determined after arm’s length negotiations with reference to the prevailing market rates.

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NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Background

As disclosed in the section headed “Contractual Arrangements” of this document, due to regulatory restrictions on foreign ownership in the PRC, we cannot directly or indirectly, hold any equity interest in the Consolidated Affiliated Entities, which hold certain licenses and permits required for the operation of our businesses. As a result, our Group has entered into the Contractual Arrangements with Guangzhou Jiu Zun and its shareholders, including but not limited to Mr. Liang, Yujiang Yingming Investment and Yujiang Chenghe Investment to enable us to, among others, (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by WFOE to Guangzhou Jiu Zun; (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 Guangzhou Jiu Zun when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of various types of documents. Please see the section headed “Contractual Arrangements” of this document for detailed terms of these documents.

Listing Rules implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their relationship with our Group.

<u>Connected person</u>	<u>Connected relationship</u>
Mr. Liang	one of our Controlling Shareholders, an executive Director and our chief financial officer
Mr. Lu	one of our Controlling Shareholders, an executive Director, our Chairman and our chief executive officer
Ms. He	one of our Controlling Shareholders
Ms. Su	one of our Controlling Shareholders and a non-executive Director
Yujiang Yingming Investment	an associate of each of Mr. Lu and Ms. He
Yujiang Chenghe Investment	an associate of Ms. Su
Guangzhou Jiu Zun	an associate of our Controlling Shareholders

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Our Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Contractual Arrangements are fundamental to our Group’s legal structure and business operations and the nature of transactions contemplated under the Contractual Arrangements require a duration longer than three years. The Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group and are in line with normal business practice, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by Guangzhou Jiu Zun and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders’ approval requirements.

APPLICATION FOR WAIVER

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders’ approval in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) setting annual caps for the transactions contemplated under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, subject to the following conditions:

(1) No changes without independent non-executive Directors’ approval.

No changes to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of our independent non-executive Directors.

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(2) No changes without independent Shareholders' approval.

Save as described in paragraph (4) below, no changes to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once the 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 our Company (as set out in paragraph (5) below) will however continue to be applicable.

(3) Economic benefits flexibility.

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (1) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in Guangzhou Jiu Zun for nominal consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations; (2) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE under the Management Services Agreement; and (3) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Guangzhou Jiu Zun.

(4) Renewal and adoption.

The Contractual Arrangements framework may be renewed and/or adopted upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business which our Group might wish to establish, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of these entities will, upon renewal and/or adoption of the Contractual Arrangements, be treated as the connected persons of our Company and transactions between these connected persons and our Company 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.

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(5) Ongoing reporting and approvals.

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual reports and accounts of our Company 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 Guangzhou Jiu Zun to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and Guangzhou Jiu Zun during the relevant financial period under paragraph (iv) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and its Shareholders as a whole.
- Our Company’s auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Guangzhou Jiu Zun to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- 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 our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our 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.

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- 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 our Group’s management and our Company’s auditor with full access to its relevant records for the purpose of our Company’s auditor’s review of the connected transactions.

New transactions amongst the Consolidated Affiliated Entities and our Company

Given that the financial results of the Consolidated Affiliated Entities will be consolidated into our financial results and the relationship between the Consolidated Affiliated Entities and our Company under the Contractual Arrangements, all agreements other than the Contractual Arrangements that may be entered into between each of the Consolidated Affiliated Entities and our Company in the future will also be exempted from the “continuing connected transactions” provisions of the Listing Rules.

DIRECTORS’ CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SOLE SPONSOR’S CONFIRMATION

Based on the documentation and data provided by our Company and participation in due diligence and discussions with us, the Sole Sponsor believes that the aforesaid non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.