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ASIA ENERGY LOGISTICS GROUP LIMITED

亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

- (1) DISCLOSEABLE TRANSACTION — ACQUISITION OF 60%
SHAREHOLDING INTERESTS IN BEISHANG LIMITED;
AND
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO THE ENTERING OF THE CONTRACTUAL ARRANGEMENTS**

THE ACQUISITION

The Board is pleased to announce that on 30 April 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, which represents 60% of the issued share capital of the Target Company, at an aggregate consideration of HK\$10.0 million which shall be settled by the Purchaser in cash.

Upon Completion, the Target Company will become a 60% indirect non-wholly owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING OF THE CONTRACTUAL ARRANGEMENTS

The Target Company achieves effective control over, and receives the economic benefits generated by the OPCO through the Contractual Arrangements between the WFOE, on one hand, and each of the OPCO and the PRC Equity Owners, on the other hand. Immediately after Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company. Therefore, immediately after Completion, the Contractual Arrangements will enable the Company, via the Target Company and the WFOE, to (i) enjoy the economic benefits from the OPCO as consideration for the services provided by the WFOE to the OPCO; (ii) exercise effective control over the OPCO; and (iii) hold an exclusive option to purchase all or part of the equity interests in the OPCO when and to the extent permitted by PRC laws.

LISTING RULES IMPLICATIONS

The Acquisition

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is/are more than 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Contractual Arrangements

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company. Given Mr. Sun will remain as a director of the Target Company, Beishang (HK), the WFOE and the OPCO upon Completion and that Mr. Sun is a substantial shareholder of the OPCO by virtue of being a registered owner of the OPCO holding 60% equity interests in the OPCO, Mr. Sun will be regarded as a connected person of the Company at subsidiary level. Furthermore, Mr. Bai will also be regarded as a connected person of the Company at subsidiary level by virtue of being a director of the Target Company and Beishang (HK) within 12 months preceding Completion and Ms. Quan, being the spouse of Mr. Bai, is considered as Mr. Bai's associate and will also be a connected person of the Company at subsidiary level upon Completion. Since Mr. Sun is the registered owner of the OPCO holding 60% of the OPCO's equity interests, the OPCO is regarded as an associate of Mr. Sun under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Structured Contracts which were entered into by the WFOE with Mr. Sun, Mr. Bai (or his successor, Ms. Quan) and the OPCO will constitute continuing connected transactions of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Board has approved the transactions under the Contractual Arrangements and the Directors (including the independent non-executive Directors) have also confirmed that the terms thereof are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Therefore, by virtue of Rule 14A.101 of the Listing Rules, the transactions under the Contractual Arrangements is subject to the reporting and announcement requirements applicable to connected transactions, but are exempt from the circular, independent financial advice and Shareholders' approval requirements.

The Company has applied for, and the Stock Exchange has granted, the Waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the Structured Contracts for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap for the fees payable by the OPCO to the WFOE under the Exclusive Business Consultancy Services Agreement and the amount of loans to be made available by the WFOE to the PRC Equity Owners under the relevant Structured Contracts pursuant to Rule 14A.53 of the Listing Rules.

As completion of the Acquisition is subject to satisfaction and/or waiver of a number of conditions precedent, the Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

I. INTRODUCTION

The Board is pleased to announce that on 30 April 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, which represents 60% of the issued share capital of the Target Company, at an aggregate consideration of HK\$10.0 million which shall be settled by the Purchaser in cash.

II. THE SHARE TRANSFER AGREEMENT

Date

30 April 2021

Parties

Purchaser : Sky Universe Investment Company Limited 天世國際投資有限公司, a wholly-owned subsidiary of the Company

Vendor : Beishang Limited

Guarantors : Mr. Sun

Ms. Quan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners (i.e. Mr. Sun, Mr. Bai and Ms. Quan) are Independent Third Parties.

Assets to be acquired

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, which represents 60% of the issued share capital of the Target Company. Please refer to the section headed “IV. Information on the Target Group and the OPCO” in this announcement for further details.

Consideration

The Consideration is HK\$10.0 million and shall be payable by the Purchaser to the Vendor in cash in the following manner:

- (a) HK\$3.0 million, being 30% of the Consideration, shall be paid on the date of the Share Transfer Agreement (the “**Deposit**”); and
- (b) HK\$7.0 million, being 70% of the Consideration, shall be paid on the Completion Date.

In the event that Completion takes place in accordance with the Share Transfer Agreement, the Deposit shall be applied towards and set off against an amount of HK\$3.0 million of the Consideration.

In the event of a termination of the Share Transfer Agreement, the Vendor shall refund the Deposit in full to the Purchaser within 5 business days and thereafter the Share Transfer Agreement shall be terminated save for any antecedent breach of its obligations under the Share Transfer Agreement.

The Group intends to finance the Acquisition by the internal resources of the Group.

The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor and are on normal commercial terms, with reference to the net assets value of the Target Group (including the OPCO) as at 31 December 2020 which amounted to approximately RMB15.7 million multiplied by the Group’s effective interest of 60% upon Completion.

Conditions precedent to the Acquisition

Completion is conditional upon the following conditions having been fulfilled or waived (as the case may be):

- (a) completion of the due diligence review on the Target Group with respect to its licences, permits, operations, financials and management etc. and the Sale Shares to the satisfaction of the Purchaser;

- (b) the Purchaser, the Company and the Vendor have, in compliance with the requirements of the Listing Rules and their respective articles of association, obtained approvals in relation to the Acquisition, including but not limited to the transactions contemplated under the Share Transfer Agreement and the Shareholders' Agreement, and the Structured Contracts from their respective board of directors and shareholders (where required);
- (c) the Waiver having been granted by the Stock Exchange to the Company;
- (d) since the date of the Share Transfer Agreement, there being no material adverse effect to the Target Group which may affect the transactions contemplated under the Share Transfer Agreement;
- (e) (where applicable) as regards the entering into and performance of the Share Transfer Agreement, the Shareholders' Agreement and the Structured Contracts, each of the Vendor, the Purchaser, the WFOE and the OPCO having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions; and
- (f) the representations and warranties provided by the Vendor and the Guarantors under the Share Transfer Agreement remaining true and accurate and not misleading as at Completion Date.

The Purchaser has the right to waive any of the above conditions precedent in part or in full, except conditions precedent numbered (b), (c) and (e) above which cannot be waived.

In the event that any of the above conditions precedent is not fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Purchaser shall have the right to terminate the Share Transfer Agreement by serving a termination notice. Upon termination, the Vendor shall refund the Deposit in full within 5 business days upon the receipt of the termination notice and none of the parties shall have any obligations towards the other parties.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Target Company will become a 60% indirect non-wholly owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

Guarantee provided by the Guarantors

The Guarantors agreed to guarantee, as primary obligors, the performance by the Vendor of its obligations under the Share Transfer Agreement.

III. THE SHAREHOLDERS' AGREEMENT

Upon Completion, the Purchaser, the Vendor and the Target Company will enter into the Shareholders' Agreement to govern the management and business affairs of the Target Group. The principal terms of the Shareholders' Agreement are set out below.

Board composition

In respect of the Target Company and each of its subsidiary, the Purchaser and the Vendor has the right to appoint two and one directors, respectively. The chairman of the board shall be a director appointed by the Purchaser. In addition, director(s) appointed by the Purchaser or persons as designated by the Purchaser shall serve as the chairman of the board, legal representative (where applicable), general manager, chief executive officer, financial controller and company secretary of each of the Target Group Companies.

Reserved matters

Certain matters require an unanimous approval of all the shareholders of the Target Company. These matters include the following:

- (a) save as otherwise provided by the Shareholders' Agreement, altering the paid-up capital of any of the Target Group Companies (such as capital increase, capital reduction, capitalisation, merger, split, cancellation or conversion of any part of the equity) or altering the rights attaching to the equity interests of any of the Target Group Companies or altering the registered share capital of any of the Target Group Companies;
- (b) altering the constitutional documents of any of the Target Group Companies;
- (c) creating any new equity interest in any of the Target Group Companies in favour of any person (including any shareholder), including but not limited to any income, profit or benefits sharing arrangements, whether in the form of shares, warrants, convertible securities, bonds or loan capital or other convertible instruments;
- (d) diluting the Target Company's interests in the WFOE or OPCO;
- (e) altering the number of directors of any of the Target Group Companies;
- (f) making material alteration to the scope of business of any of the Target Group Companies;
- (g) capitalizing or distributing the reserves of any of the Target Group Companies or using such reserves for any other purposes.

Provisions on transfer of Targetco Shares

The Targetco Shareholders shall have rights of first refusal on disposal of shares by other Targetco Shareholders to any person. If any Targetco Shareholder accept an offer to purchase its Targetco Shares from a bona fide third party which represents more than 50% of the total issued Targetco Shares, the selling Targetco Shareholder may require all the remaining Targetco Shareholders to sell to such third party all the Targetco Shares held by them or such number of Targetco Shares equivalent to the shareholding proportion of such remaining Targetco Shareholders in the Target Company.

Notwithstanding the above, each of the Targetco Shareholders is allowed to, upon giving prior notice to the other Targetco Shareholders, transfer any or all of its Targetco Shares to its wholly-owned subsidiaries, controlling shareholders or wholly-owned subsidiaries of its controlling shareholders, without complying with the aforementioned share transfer provisions.

Termination

The Shareholders' Agreement shall become effective upon its due execution by the parties thereto and shall remain valid until the earlier of:

- (a) the liquidation of the Target Company or the OPCO;
- (b) the parties to the Shareholders' Agreement have agreed to terminate the Shareholders' Agreement; and
- (c) all issued Targetco Shares are beneficially owned by one shareholder.

IV. INFORMATION ON THE TARGET GROUP AND THE OPCO

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement.

The WFOE is a company established in the PRC in December 2020 and is an indirect wholly-owned subsidiary of the Target Company. It is principally engaged in the business of providing technological development, technical consultancy and enterprise management consultancy services, etc.

The OPCO is a company established in the PRC. Mr. Sun and Mr. Bai (or his successor, Ms. Quan) are the registered shareholders of the OPCO who is interested in 60% and 40% equity interests in the OPCO, respectively.

Prior to 2020, the OPCO was principally engaged in the trading of video equipment and provision of technical services. In February 2020, the OPCO's business scope started to cover the telecommunications business. Since then, the OPCO started to

phase out the trading of video equipment and provision of technical services business and focuses on the provision of value-added telecommunications services. Currently, the OPCO is principally engaged in the business of provision of information services (excluding internet information services) and operates three business segments, namely the enterprise dedicated data line segment, the SMS segment and the voice messaging segment.

The OPCO currently holds the ICP Licence and is the owner of three mobile telecommunications related copyrights covering big data lost connection user repair software (大數據失聯用戶修復軟件), SMS service system software (短信服務系統軟件) and IDC data centre management software (IDC 數據中心管理軟件). The OPCO is also a member of the Zhongguancun Blockchain Alliance (中關村區塊鏈產業聯盟).

The following sets out further details about the OPCO's three business segments:

- ***Enterprise dedicated data line segment:*** As an agent of the data transmission network providers, the OPCO helps to connect data transmission network providers with enterprises which require dedicated data transmission services (such as banks, securities firms, insurance companies, online education service providers, etc.). At present, the OPCO is an agent of one of the three largest PRC telecommunications service providers for this business segment.
- ***SMS Segment:*** The SMS segment comprises 5G messaging, industry SMS and cloud MAS video SMS. In 2020, the OPCO's 5G messaging platform "Beishang Tongda Cloud (北商通達雲)" has completed the joint technical run with the three largest PRC telecommunications service providers and the OPCO became one of the 37 agents of the three largest PRC telecommunications service providers in the 5G messaging area. Being one of the agents of the three largest PRC telecommunications service providers, the OPCO is able to provide its customers (such as banks, funds, insurance companies etc.) with SMS delivery services.
- ***Voice messaging segment:*** The OPCO shall assist telecommunications service providers to establish business relationships with customers who require integrated communication services (i.e. voice communication, video communication and fax communication services which are applicable to fixed-line, SIP terminals and fax terminals). At present, the OPCO is an agent of one of the three largest PRC telecommunications service providers for this business segment.

The OPCO has commenced generating revenue from the enterprise dedicated data line segment and the SMS segment since November 2020.

The OPCO will continue to further develop its enterprise dedicated data line segment and SMS segment by establishing cooperation with more data transmission network providers and telecommunications service providers on one hand, and to solicit more enterprise customers and diversify its clientele for these service providers. The OPCO also expects to commercialise the voice messaging segment in 2021 and provides more diversified services within the telecommunications industry going forward to grasp the growth potential in the 5G market.

As an agent of data transmission network providers and telecommunications service providers, the OPCO puts great emphasis on its sales and marketing capabilities to connect enterprise customers with these service providers. Currently, the OPCO is managed by its general manager, Ms. Xiao Li (“**Ms. Xiao**”), who joined the OPCO in August 2020. The OPCO has 10 employees, including a team of 4 sales and marketing personnel who are familiar with the telecommunications industry and have good business network.

Ms. Xiao Li, aged 35, is currently the general manager of the OPCO. Ms. Xiao joined the OPCO in August 2020. Ms. Xiao obtained her bachelor and master’s degrees in management from the Beijing Normal University (北京師範大學) in 2007 and 2011, respectively. Since 2011 and prior to joining the OPCO, Ms. Xiao had worked at the mobile broadband internet department (移動寬帶互聯網部) of China Telecom Corporation Limited’s Shanghai Branch (中國電信股份有限公司上海分公司), the innovation department (創新部) of China Telecom Corporation Limited and the strategic development department (戰略拓展部) of Beijing Tongtech Co., Ltd. (東方通科技股份有限公司) where she has accumulated nearly 10 years of work experience in the telecommunications industry.

Under the Contractual Arrangements, the WFOE has effective control over the OPCO and enjoys the economic benefits generated by the OPCO. The Directors have discussed with the Company’s auditors in respect of the Company’s control over the OPCO through the Contractual Arrangements. The Directors considered that under the prevailing accounting principles, upon Completion, the Company can consolidate the financial results of the OPCO into its consolidated financial statements as an indirect non-wholly owned subsidiary of the Company under the Hong Kong Financial Reporting Standards.

The Target Company and Beishang (HK) are principally engaged in investment holding while the WFOE was only established in December 2020. As at the date of this announcement, the Target Company, Beishang (HK) and the WFOE do not have any other major assets.

Based on the information provided by the Vendor, set out below are the financial information of the OPCO as extracted from its audited accounts for the two financial years ended 31 December 2020:

	For the year ended	
	31 December	
	2019	2020^(Note)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,212	1,909
Gross profit	839	501
Profit/(loss) before taxation and extraordinary items	59	(1,961)
Profit/(loss) after taxation and extraordinary items	55	(1,961)

Note: Prior to 2020, the OPCO was principally engaged in the trading of video equipment and provision of technical services. In February 2020, the OPCO's business scope started to cover the telecommunications business. Since then, the OPCO started to phase out the trading of video equipment and provision of technical services business and focuses on the provision of value-added telecommunications services. The financial information shown in the table above for the year ended 31 December 2020 relates to the OPCO's continuing business, i.e. the business of the provision of value-added telecommunications services as the trading of video equipment and provision of technical services business ceased in October 2020.

The audited total assets and net assets of the OPCO as at 31 December 2020 are approximately RMB16.2 million and RMB15.7 million, respectively.

V. REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE ENTERING INTO OF THE CONTRACTUAL ARRANGEMENTS

A. Reasons for and benefits of the Acquisition

The Group currently operates a fleet of two dry bulk carriers trading worldwide and both vessels are on charter contracts which will run until the end of 2021 and the Group's management expects that these two vessels will continue generating positive contribution in the upcoming year.

The existing shipping business of the Group is subject to economic cycles. The ongoing Sino-US trade war and the outbreak of COVID-19 added to the uncertainties of the shipping industry. In light of the current market uncertainties and that any direct expansion of the current fleet of the Group will involve substantial capital expenditure and may increase the Group's gearing and finance costs, the Group has adopted a cautious approach in expanding its current business involving (a) continue monitoring of the current market, in particular, demand for charters; and (b) undertake feasibility study of

expansion into the wider logistics industry, instead of just focusing on the vessel charter, which could bring in synergy with and positive contributions to the Group's shipping and logistics business in the long-run.

In addition to the shipping and logistics industry, the Group is also considering attractive investment opportunities to diversify its business portfolio, such as the Acquisition.

Upon Completion, the Company will be able to, via the Contractual Arrangements, obtain effective control over the business of the OPCO which is principally engaging in the business of value-added telecommunications services in the PRC.

In 2020, PRC telecommunications operators have actively carried out new 5G infrastructure construction with an aim to extensively commercialised 5G. In particular, the three largest telecommunications service providers in the PRC have jointly released the 5G Messaging service white paper in 2020 to call for collaboration with industry partners to help fully roll out of the 5G Messaging service. Given the PRC is the world's leading 5G market which offers promising development for telecommunication service participants and having considered the qualifications, business strategies and prospects of the OPCO in the 5G market and that the OPCO is an agent of the three largest telecommunications service providers in the PRC, the Directors consider that the Acquisition will enable the Group to strengthen its investment portfolio through investment in a business sector with stable growth potential in the coming years, achieve attractive capital appreciation over the long term and diversify the Group's business. Upon Completion, the Company will, together with the Vendor, participate in formulating the business strategies of the OPCO with an aim to optimise the Group's investment returns in the OPCO.

The Company considers that the current size of workforce is sufficient for the OPCO's day to day operations and hence it is not necessary for the Group to deploy its current employees to be involved in the day to day operations of the Group. Nevertheless, upon Completion, the Company intends to appoint two representatives with management or sales and marketing capabilities (namely, Mr. Sun Peng, an executive Director, and Ms. Xiao, collectively, the "**Representatives**") as directors of each of the Target Company, Beishang (HK), the WFOE and the OPCO to supervise the operations of the OPCO. Furthermore, the Company will put in place internal reporting procedures as detailed in the section headed "X. Internal Control Measures to be Implemented by the Group" in this announcement, to ensure the OPCO's management provides adequate and complete information to the Board in a timely manner. The executive Directors consider that these internal control measures would enable them to closely manage and supervise the operations of the OPCO in a time efficient manner. Given the Group's existing shipping business is mature

and on track and the two vessels are both on charter contracts, the Directors consider that they will be able to devote sufficient time to manage both the shipping business and the OPCO's business upon Completion.

Based on the latest information available to the management of the OPCO, the OPCO has sufficient working capital for its present operation requirements for at least twelve months from the date of this submission. Hence, it is expected that the OPCO would be able to finance its own operations via its own cash balances as well as revenue from its daily operations. It is the Company's current intention that the shipping business and the OPCO's business would be financially independent to each other. In the event the OPCO requires additional funding, the Company will discuss with the Vendor to identify possible funding arrangements which are in the best interests of the OPCO and the Group as a whole.

In light of the above, the Directors consider that the Acquisition and the terms of the Share Transfer Agreement are fair and reasonable and on normal commercial terms and the entering into of the Share Transfer Agreement is in the interests of the Company and its Shareholders as a whole.

B. Reasons for and benefits of the entering into of the Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalogue**”) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (《(外商投資准入特別管理措施(負面清單))》) (the “**Negative List**”) which were promulgated and amended from time to time jointly by the MOFCOM and the NDRC, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) and their respective implementation rules and subsidiary regulations. The Negative List and the Encouraging Catalogue divide industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

As advised by the PRC Legal Advisers, the principal business of the OPCO involves the provision of information services which falls within the scope of “value-added telecommunications services” under the Telecommunication Business Catalogue (《電信業務分類目錄》) of the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》). As further advised by the PRC Legal Advisers, the OPCO is required to, and has obtained, the ICP Licence to operate its SMS segment.

Pursuant to the applicable laws, including but not limited to the Negative List (2020 version), the business of value-added telecommunications services (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call centre services) is considered “restricted” where foreign investors are restricted from holding more than 50% equity interests in companies provided such services. As further advised by the PRC Legal Advisers, the OPCO’s SMS business segment is considered “restricted”.

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council in December 2001, which were subsequently amended in September 2008 and February 2016, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Foreign investors that meet these requirements shall obtain approvals from MIIT and MOFCOM or their authorized local counterparts, which retain considerable discretion in granting such approvals. As advised by the PRC Legal Advisers, currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements.

In January 2021, the PRC Legal Advisers conducted a telephone consultation with MIIT, the competent authority regulating the business of value-added telecommunications services. The relevant MIIT officer verbally confirmed that pursuant to Article 10 of the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investor who invests in a value-added telecommunications business in the PRC must possess the Qualification Requirements. The relevant MIIT officer further confirms that a domestic company is unable to obtain an ICP Licence if it is owned by foreign investors.

In light of the above, the PRC Legal Advisers are of the view that it is impossible for sino-foreign joint venture or wholly-owned foreign investment entity to apply for an ICP Licence and conduct value-added telecommunications services in the PRC.

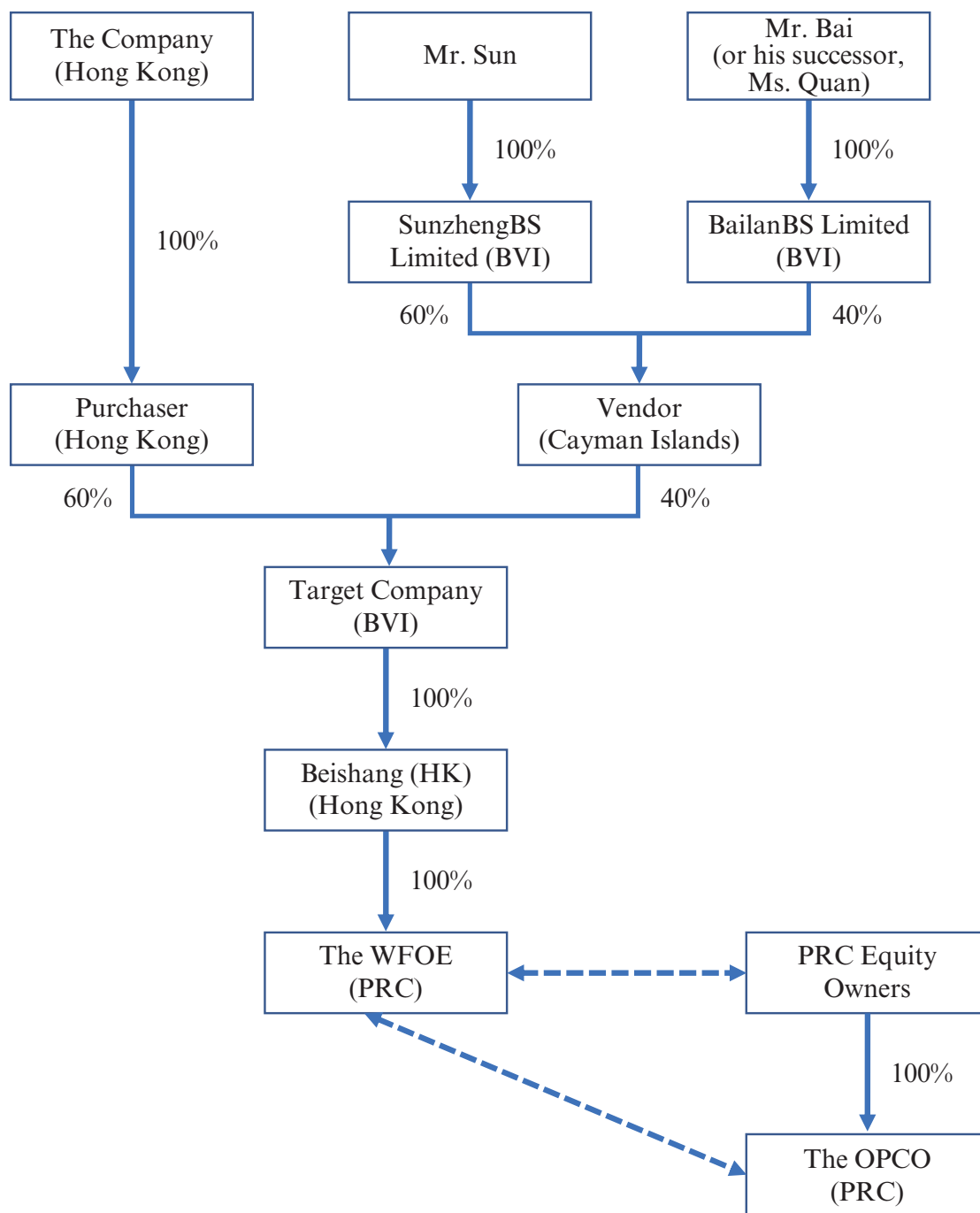
As advised by the PRC Legal Advisers, PRC telecommunications service providers, such as China Mobile, require that the proportion of foreign ownership in its business partners shall not exceed 50%. Since the OPCO is an agent of data transmission network providers and telecommunication service providers, in order for the OPCO to conduct its business, it must observe the foreign ownership restrictions imposed by these service providers. The PRC

Legal Advisers further advised that the OPCO's business (including the enterprise dedicated data line segment, SMS segment and voice messaging segment) are subject to foreign investment restrictions.

In light of the above, the PRC Legal Advisers are of the view that it is necessary for the Target Company to conduct the business of value-added telecommunications services (covering the enterprise dedicated data line segment, SMS segment and voice messaging segment) in the PRC through the WFOE and the OPCO (an ICP Licence holder and an entity whose registered owners are PRC individuals) via the Contractual Arrangements.

VI. THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from the OPCO to the WFOE stipulated under the Contractual Arrangements immediately upon Completion:



← - - - → denotes contractual relationship

← — — — → denotes direct legal and beneficial ownership

A. Principal terms of each of the Structured Contracts

1. *Exclusive Business Consultancy Services Agreement*

- Date : 20 January 2021
- Parties : (i) The WFOE
(ii) The OPCO
- Services : The OPCO agrees to appoint the WFOE as its exclusive services provider to provide technical, consultancy and other services to it, including but not limited to the following:
- (i) authorising the OPCO to use any software which is legally owned by the WFOE;
 - (ii) developing, maintaining and upgrading all software which is necessary for the OPCO's business;
 - (iii) providing design, installation, daily management, maintenance and update services in respect of the computer network system, hardware equipment and database;
 - (iv) providing technical support and professional training to the relevant personnel of the OPCO;
 - (v) assisting the OPCO in conducting consultation, information collection and research on technical and market information (save and except for such market research which are prohibited by PRC laws to be conducted by wholly owned foreign companies);
 - (vi) providing enterprise management consultancy services to the OPCO;
 - (vii) providing marketing and promotion services to the OPCO;

- (viii) providing customer order management and customer services to the OPCO;
- (ix) transfer, lease and dispose of equipment or property; and
- (x) as required by the OPCO from time to time, providing such other services which are permitted under PRC laws.

Unless with the prior written consent of the WFOE, during the term of the Exclusive Business Consultancy Services Agreement, the OPCO shall neither obtain the same or similar business consultancy services from any third parties nor enter into any arrangements with any third parties which are similar to those contemplated under the Exclusive Business Consultancy Services Agreement.

Fees : The OPCO shall pay service fees to the WFOE on a monthly basis. Such service fees shall comprise management fees and service provision fees. The fees payable by the OPCO shall be determined with reference to (i) the complexity of the services provided; (ii) the seniority of the personnel engaged by the WFOE for the provision of services and the time spent on such services; (iii) the value of such services; (iv) the prevailing market price for such services; and (v) the business condition of the OPCO. The parties further agree that service fees shall generally be the consolidated profit of the OPCO, after deduction of any accumulated deficit of the OPCO in respect of the preceding financial year, operating costs, taxes and other statutory contributions.

Furthermore, separate fees (to be determined on a case-by-case basis) shall be payable by the OPCO to the WFOE in the event where (i) the WFOE assigns any technology to the OPCO; (ii) the OPCO engages the WFOE to develop any software or technologies; or (iii) the WFOE leases any equipment or assets to the OPCO.

The OPCO shall also compensate the WFOE for any costs and disbursements (e.g. accommodation, travelling and postage costs, etc.) arising from the exclusive services provided by the WFOE to the OPCO in accordance with the Exclusive Business Consultancy Services Agreement.

The OPCO shall pay the aforementioned fees to the WFOE on a monthly basis.

Interests or claim over assets : The OPCO irrevocably grants an exclusive call option to the WFOE, pursuant to which to the extent permitted under applicable PRC laws and regulations, the WFOE shall have the right to acquire part or all of the OPCO's assets and businesses at the minimum amount of consideration as permitted under applicable PRC laws.

In the event of dissolution or winding-up of the OPCO, the WFOE shall be entitled to all the OPCO's remaining assets which the PRC Equity Owners are entitled to after the OPCO has settled all its payments in accordance with PRC laws and regulations.

Intellectual properties : The WFOE shall have the exclusive ownership, rights and benefits in any and all intellectual property rights developed or created by the OPCO during the performance of the Exclusive Business Consultancy Services Agreement.

Term : The Exclusive Business Consultancy Services Agreement shall remain effective unless terminated (a) in accordance with the provisions thereunder; (b) in writing by the WFOE; or (c) renewal of the expired business period of either the WFOE or the OPCO is denied by relevant government authorities, at which time the Exclusive Business Consultancy Services Agreement will terminate upon termination of that business period.

2. *Exclusive Call Option Agreement*

Date : 20 January 2021

Parties : (i) Mr. Sun and Mr. Bai

(ii) The OPCO

(iii) The WFOE

Subject matter : Each of the PRC Equity Owners irrevocably, unconditionally and severally grant an exclusive call option to the WFOE, pursuant to which the WFOE may, to the extent permitted under applicable PRC laws and regulations and subject to the terms and conditions of the Exclusive Call Option Agreement, require each of the PRC Equity Owners to transfer his equity interests in the OPCO to the WFOE or its designee(s).

In the event where applicable PRC laws and regulations allow the WFOE or its designee(s) to become an owner of the entire equity interests in the OPCO, the WFOE may require the PRC Equity Owners to transfer their entire equity interests in the OPCO to the WFOE or its designee(s).

In the event where applicable PRC laws and regulations allow the WFOE or its designee(s) to own a certain percentage of the equity interests in the OPCO, the WFOE may require the PRC Equity Owners to transfer to it, such amount of equity interests in the OPCO which is equivalent to the maximum amount of equity interests which the WFOE or its designee(s) may own under PRC laws and regulations.

Upon exercise of the call option, the consideration payable by the WFOE or its designee(s) for the transfer of equity interests shall be the lower of (i) the face value of the registered capital corresponding to the equity interests transferred; and (ii) the minimum amount of consideration as permitted under applicable PRC laws.

Any consideration received by the PRC Equity Owners for such transfer shall be returned to the WFOE.

In addition, the PRC Equity Owners covenanted that, without the prior written consent of the WFOE:

- (i) save and except for the Equity Pledge Agreements, the PRC Equity Owners shall not transfer, dispose or create any security or third party rights over the equity interests of the OPCO;
- (ii) there shall not be any increase or decrease in the registered capital of the OPCO and no party shall promote or agree the OPCO's division or merger with any other entity;
- (iii) no party shall dispose or cause the OPCO's management to dispose of any material assets of the OPCO (except in the normal course of business) or create any security or third party rights over any material assets of the OPCO;
- (iv) no party shall terminate or cause the OPCO's management to terminate any material contract entered into by the OPCO or cause the OPCO to enter into any contract which is in conflict with the OPCO's existing material contracts;

- (v) no party shall appoint or dismiss any of the OPCO's executive directors, board members (if any), supervisors or other management personnel which are appointed by existing owners of the OPCO;
- (vi) no party shall cause the OPCO to declare or actually distribute any distributable profits, bonus or dividends;
- (vii) no party shall terminate, liquidate or dissolve the OPCO;
- (viii) no party shall make amendments to the OPCO's articles of association;
- (ix) no party shall enable the OPCO to extend advances, borrow loans, provide guarantees or other forms of security or undertake any substantive obligations which are outside the OPCO's normal course of business;
- (x) no party shall in any way make or authorize others (including but not limited to the directors of the OPCO nominated by it/him) to make any resolutions, instructions, consents and orders to procure the OPCO to carry out any actions that will or may materially affect the OPCO (including the OPCO's branches, subsidiaries and affiliates), the OPCO's assets, rights, obligations or business transactions (the "**prohibited transactions**"), or sign any agreement, contract, memorandum or other form of transaction documents (the "**prohibited documents**"), and no party shall allow any prohibited transactions or the signing of any prohibited documents;

- (xi) no party shall cause the OPCO or the OPCO's management to agree the OPCO's subsidiaries or affiliates (collectively "**OPCO's Subsidiaries**") to carry out the following activities:
- (a) increase or reduce the registered capital of the OPCO's Subsidiaries or agree to the division or merger of the OPCO's Subsidiaries with any other entity;
 - (b) dispose or cause the management of the OPCO's Subsidiaries to dispose of any material assets of the OPCO's Subsidiaries (except in the normal course of business) or create any security or third party rights over any material assets of the OPCO's Subsidiaries;
 - (c) terminate or cause the management of the OPCO's Subsidiaries to terminate any material contract entered into by the OPCO's Subsidiaries or cause the OPCO's Subsidiaries to enter into any contract which is in conflict with the existing material contracts of the OPCO's Subsidiaries;
 - (d) appoint or dismiss any of the directors, supervisors or other management personnel of the OPCO's Subsidiaries which are appointed by the OPCO;
 - (e) terminate, liquidate or dissolve the OPCO's Subsidiaries or engage in such other acts which affect or may affect the subsistence of the OPCO's Subsidiaries;
 - (f) make amendments to the articles of association of the OPCO's Subsidiaries; and

- (g) extend advances, borrow loans, provide guarantees or other forms of security or undertake any substantive obligations which are outside the normal course of business of the OPCO's Subsidiaries.

The parties also agreed that, subject to applicable PRC laws and regulations, the WFOE shall have the right to (a) any form of profit distribution or dividends (after deduction of relevant taxes) received by the PRC Equity Owners from the OPCO; and (b) any premium over the capital contribution to the OPCO received by each of the PRC Equity Owners upon transfer of his interests in the OPCO.

Term : The Exclusive Call Option Agreement shall take effect from the date of its execution until the entire equity interests in the OPCO are transferred to the WFOE or its designee(s).

3. *Loan Agreements*

Date : 20 January 2021

Parties : (i) The WFOE (as lender)
(ii) Mr. Sun and Mr. Bai (as borrowers)

Principal : The WFOE shall provide an interest-free loan in the sum of RMB30 million to Mr. Sun and RMB20 million to Mr. Bai.

Purpose of the loan : Each of the PRC Equity Owners agrees and undertakes that the loans made available to him under the Loan Agreements shall be injected as the registered capital of the OPCO and for funding the OPCO's working capital.

Term : Each of the Loan Agreements is for a term of 10 years and the parties thereto may mutually agree in writing to extend its term.

Repayment : The loan under the Loan Agreements will become due and payable under any of the following circumstances:

- (i) 30 days after the relevant PRC Equity Owner's receipt of a written notice issued by the WFOE demanding repayment of the loan;
- (ii) the relevant PRC Equity Owner dies, has no capacity for civil conduct or has limited capacity for civil conduct;
- (iii) the relevant PRC Equity Owner ceases his employment with the WFOE, the OPCO or their affiliated companies;
- (iv) the relevant PRC Equity Owner commits criminal acts or becomes involved in criminal activities;
- (v) foreign investors are permitted by PRC laws to engage in the business activities carried out by the OPCO in the PRC; the relevant PRC authorities have begun to approve such businesses; and the WFOE has decided to exercise the call option under the Exclusive Call Option Agreement.

On repayment, the relevant PRC Equity Owner shall transfer his entire equity interests in the OPCO and, where permitted under PRC laws, all income arising from such transfer to the WFOE or its designee(s) to settle the outstanding loan under the respective Loan Agreement.

4. Equity Pledge Agreements

Date : 20 January 2021

Parties : (i) Mr. Sun and Mr. Bai (as pledgor)
(ii) The WFOE (as pledgee)

- Pledge : Each of the PRC Equity Owners agrees to pledge all his equity interests in the OPCO (including any subsequent capital injection and dividend received) to the WFOE (the “**Pledged Assets**”) as security for (a) the performance of the contractual obligations by (i) the relevant PRC Equity Owner under the relevant Equity Pledge Agreement, the relevant Loan Agreement, the Exclusive Call Option Agreement and the Voting Rights Delegation Agreement; and (ii) the OPCO under the Voting Rights Delegation Agreement and the Exclusive Business Consultancy Services Agreement; and (b) the payment of outstanding debts by the relevant PRC Equity Owner (collectively, the “**Obligations**”).
- Registration : The pledges in respect of the OPCO as contemplated under each of the Equity Pledge Agreements shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the relevant PRC Equity Owner and the OPCO under the relevant Structured Contracts have been fully performed and all the outstanding debts of the relevant PRC Equity Owner have been fully paid.
- Event of default : In the event of a breach of any of the Obligations, the WFOE shall, upon serving a written notice to the relevant PRC Equity Owner, have the right to exercise all such rights and powers as a secured party under applicable PRC laws and the relevant Equity Pledge Agreement, Loan Agreement, the Exclusive Call Option Agreement and the Voting Rights Delegation Agreement, including but not limited to, being paid in priority with the Pledged Assets being auctioned or sold.

As advised by the PRC Legal Advisers, the Equity Pledge Agreements have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations on 10 February 2021.

5. *Voting Rights Delegation Agreement*

Date : 20 January 2021

Parties : (i) Mr. Sun and Mr. Bai

(ii) The OPCO

(iii) The WFOE

Subject matter : Each of the PRC Equity Owners irrevocably appoints the WFOE's designated personnel to exercise the rights of the relevant PRC Equity Owner as a shareholder of the OPCO, including but not limited to the following:

(i) as the agent of the PRC Equity Owners, to convene and attend shareholders' meetings of the OPCO in accordance with the OPCO's articles of association;

(ii) as the agent of the PRC Equity Owners, to discuss and resolve any matters which are discussed and tabled at the shareholders' meetings, including but not limited to appoint and elect directors, general managers and other senior officers of the OPCO which are to be appointed by the OPCO's shareholders;

(iii) as the agent of the PRC Equity Owners, to exercise all other voting rights entitled by shareholders under PRC laws and regulations (as amended, supplemented, modified and restated from time to time); and

(iv) as the agent of the PRC Equity Owners, to exercise all the voting rights of shareholders under the OPCO's articles of association (as amended from time to time).

Term : Unless otherwise terminated pursuant to the terms of the Voting Rights Delegation Agreement, the Voting Rights Delegation Agreement shall take effect from the date of its execution until the expiration of the term of business of the OPCO or the WFOE, whichever is earlier.

Save and except where the WFOE has provided a 30-day prior notice to the other parties for not renewing the Voting Rights Delegation Agreement, the Voting Rights Delegation Agreement shall be renewed automatically for one year upon expiry.

The Voting Rights Delegation Agreement will be terminated:

- (i) if the parties thereto agree in writing to terminate the Voting Rights Delegation Agreement; or
- (ii) when the WFOE or the OPCO fails to apply for an extension of its term of business upon expiry and complete the relevant registration procedures.

Furthermore, in the event where a PRC Equity Owner, after obtaining the prior consent of the WFOE, transfers his entire equity interests in the OPCO to a third party, such PRC Equity Owner shall cease to be bound by the Voting Rights Delegation Agreement. Nevertheless, the obligations and undertakings by the other parties to the Voting Rights Delegation Agreement shall remain unchanged.

6. *Equity Owners Undertakings*

Date : 20 January 2021

Signatories : Mr. Sun and Mr. Bai

Subject matter : Each of the PRC Equity Owners has expressly and irrevocably undertaken to the WFOE that, among others:

- (i) in the event of his civil incapacity, death, divorce or any other event which causes his inability to exercise his rights as a shareholder of the OPCO, he will take all necessary actions and sign all necessary documents to ensure that there will not be any adverse impact on the performance of the Structured Contracts;
- (ii) in the event of his civil incapacity, death, divorce or any other event which causes his inability to exercise his rights as a shareholder of the OPCO, he will take all necessary actions and sign all necessary documents to ensure that there will not be any adverse impact on the performance of the Structured Contracts after his successors, guardians, spouse or any other person that may be entitled to assume rights and interests in the equity interests of the OPCO obtain the equity interests of the OPCO;

(iii) in the event of an increase or decrease in the registered capital, liquidation, reorganisation, merger, division or change in the shareholders of the OPCO, he will and will procure the OPCO to take all necessary actions and sign all necessary documents to ensure that (a) the rights and obligations under the Structured Contracts shall continue to be legally binding on the relevant successor(s); and (b) any debt restructuring, reorganisation or agreement involving the disposal of the OPCO's interests to which the OPCO (including its ultimate beneficial owners and related parties) is a contracting party shall be subject to the terms and conditions of the Structured Contracts;

(iv) in the event of a dissolution or winding up of the OPCO, each of the PRC Equity Owners agree that the WFOE shall have the right to represent the relevant PRC Equity Owner in exercising the rights as the shareholders; and each of the PRC Equity Owners shall procure the OPCO to transfer to the WFOE or the WFOE's designee, any remaining assets which such PRC Equity Owner is entitled to, at RMB1.00 or the minimum amount of consideration as permitted under applicable PRC laws;

- (v) he confirmed that his spouse has been made fully aware of the Contractual Arrangements and his spouse has consented that he is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangements, further, his spouse confirms that she does not and will not have any interest or rights belonging to such PRC Equity Owner under the Contractual Arrangements, nor assumes any obligations thereunder; he and his spouse agree that in the event of a divorce, all the equity interests held by such PRC Equity Owner in the OPCO shall be deemed as assets solely owned by such PRC Equity Owner, not mutual assets jointly owned by the related PRC Equity Owner and his spouse;
- (vi) the relevant PRC Equity Owner can make decisions in respect of the OPCO independently and the effectiveness of such decisions shall not be limited by or affected by his spouse's decisions even in the event of a divorce; in the event of a divorce, the relevant PRC Equity Owner shall take all appropriate measures to ensure the performance of the Structured Contracts; the relevant PRC Equity Owner will not take any actions or measures which may be contrary to the purpose and intention of the Contractual Arrangements;
- (vii) (a) unless with the prior written consent of the WFOE, he will not directly or indirectly engage in, own or acquire any business that compete or might compete with the business of the OPCO; (b) he will not exploit any information obtained from the OPCO to directly or indirectly participate in any business that competes or might compete with the business of the OPCO; and (c) he will not obtain any benefit from any business that competes or might compete with the business of the OPCO;

(viii) he will not take any action or omission which may be contrary to the purpose and intention of the Contractual Arrangements, which will give rise to conflict of interests between himself and the WFOE; and

(ix) in the event of any conflict of interests between (a) the PRC Equity Owner and/or the OPCO; and (b) the WFOE, he will take any action as instructed by the WFOE to eliminate such conflict.

7. *Spousal Undertakings*

Date : 20 January 2021

Signatories : The spouse of each of Mr. Sun and Mr. Bai

Subject matter : The spouse of each of Mr. Sun and Mr. Bai has expressly and irrevocably undertaken to the WFOE that, among others:

(i) the spouse has been made fully aware of the Contractual Arrangements and consented that such PRC Equity Owner is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangements, further, she does not and will not have any interest or rights belonging to her spouse under the Contractual Arrangements, nor assumes any obligations thereunder;

(ii) all the equity interests held by such PRC Equity Owner in the OPCO shall be deemed as assets solely owned by such PRC Equity Owner, not mutual assets jointly owned by her and the related PRC Equity Owner; and

- (iii) she will not claim any interest or rights in the equities or assets of the OPCO held by such PRC Equity Owner; in the event of divorce (as the case may be), such PRC Equity Owner has sole discretion to decide how to dispose of his interests or assets in the OPCO.

B. Dispute resolution

Each of the Exclusive Business Consultancy Services Agreement, the Exclusive Call Option Agreement, the Loan Agreements, the Equity Pledge Agreements and the Voting Rights Delegation Agreement contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of the OPCO or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of the OPCO; any party may apply to the courts of Hong Kong, the PRC and the places where the principal assets of the OPCO are located for interim remedies or injunctive relief.

However, the PRC Legal Advisers have advised that the above provisions may not be enforceable under the PRC laws. For instance, any arbitral award to order the winding up of the OPCO maybe unenforceable under PRC law. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong or the British Virgin Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that the OPCO or the PRC Equity Owners breach any of the Exclusive Business Consultancy Services Agreement, the Exclusive Call Option Agreement, the Loan Agreements, the Equity Pledge Agreements and the Voting Rights Delegation Agreement, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCO and conduct its business could be materially and adversely affected. See the section headed “IX. Risk Factors in relation to the Contractual Arrangements — Certain provisions in the Contractual Arrangements may not be enforceable under PRC laws.” in this announcement for further details.

C. Loss sharing

None of the agreements constituting the Contractual Arrangements provide that the Company, the Target Company or the WFOE is obligated to share the losses of the OPCO or provide financial support to OPCO other than those provided under the Loan Agreements. Further, the OPCO is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under the PRC laws and regulations, the WFOE, as the primary beneficiary of the OPCO, is not expressly required to share the losses of OPCO or provide financial support to the OPCO. Despite the foregoing, upon Completion, given that the Company conducts the business of value-added telecommunications services in the PRC through the OPCO which holds the requisite PRC licences and approvals, and that the OPCO's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial conditions and results of operations would be adversely affected if the OPCO suffers losses.

However, due to the relevant restrictive provisions in the Exclusive Call Option Agreement as more particularly set out above, the potential adverse effect on the WFOE and the Company (upon Completion) in the event of any loss suffered from the OPCO is limited.

D. Insurance

The Target Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements and the Company has no intention to purchase any insurance in this regard.

VII. LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, the PRC Legal Advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations and that:

- (a) parties to each of the Structured Contracts have obtained all necessary internal approvals to execute the Structured Contracts. Save and except for (i) the registration of the Equity Pledge Agreements with the relevant administration for industry and commerce which was completed on 10 February 2021; and (ii) the exercise of the call option by the WFOE under the Exclusive Call Option Agreement may be required to be approved by the relevant regulatory authorities, the execution and the performance of the obligations by the contracting parties to the Structured Contracts do not require any approval or permits from any PRC regulatory authorities;

- (b) none of the Structured Contracts violates any provision of the articles of association of the OPCO or the WFOE or PRC laws and mandatory provisions of the administrative regulations;
- (c) the legality and enforceability of the Structured Contracts shall be governed by the Civil Code of the PRC 《中華人民共和國民法典》 (the “**PRC Civil Code**”) and other laws and regulations regulating civil legal actions. Pursuant to the relevant laws and regulations;
- (d) although no written confirmations have been obtained from any regulatory authorities in respect of the legality and enforceability of the Structured Contracts, the PRC Legal Advisers are of the view that the provisions of the Structured Contracts do not violate any mandatory provisions under PRC laws and regulations and none of the Structured Contracts would be deemed as “concealment of illegal intentions with a lawful form” under the PRC Civil Code and void under the Chapter on Contract Law of the PRC Civil Code. The PRC Legal Advisers are of the view that (i) no approvals are required to be obtained from any authorities in order for the Structured Contracts to become effective; and (ii) the conduct of business via the Contractual Arrangements is not explicitly prohibited by the relevant laws and regulations applicable to the WFOE and/or the OPCO or the relevant regulatory authorities supervising the WFOE and/or the OPCO’s business;
- (e) each of the Structured Contracts is valid, legally binding and enforceable under the PRC laws except for the following provisions:
 - (i) any arbitral award to order the winding up of the OPCO maybe unenforceable under PRC law;
 - (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong or the British Virgin Islands may not be recognizable or enforceable in the PRC;
 - (iii) the Equity Pledge Agreements have to be registered with the relevant administration for industry and commerce before they could become enforceable; and
 - (iv) the arbitral awards provided under the dispute resolution provisions of the relevant Structured Contracts shall be recognized by PRC courts before compulsory enforcement; and
- (f) the PRC Legal Advisers have taken all possible actions or steps to enable them to reach the legal conclusions as set forth above.

VIII. THE BOARD'S VIEWS ON THE CONTRACTUAL ARRANGEMENTS

The transactions contemplated under the Contractual Arrangements constitute an important and integral mechanism of the Company to, via the WFOE, control and manage the business of the OPCO in the PRC which falls under the “restricted” category and to receive and enjoy the economic benefits derived from the OPCO. As such, it is in the interests of the Company to ensure that the Company will continue to do so without setting any annual cap which may otherwise limit the economic benefits received by the Company, via the WFOE, and/or expiration of the terms of the Contractual Arrangements which may otherwise lead to the Group losing control over the OPCO. The Directors also consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company for (a) the transactions contemplated under each of the Structured Contracts to be subject to the requirement of fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (b) setting a maximum aggregate annual cap for the fees payable by the OPCO to the WFOE under the Exclusive Business Consultancy Services Agreement and the amount of loans to be made available by the WFOE to the PRC Equity Owners under the relevant Structured Contracts under Rule 14A.53 of the Listing Rules. Furthermore, all the agreements that comprise the Contractual Arrangements are common agreements, and as advised by the PRC Legal Advisers, are valid and legally binding. The use of the Contractual Arrangements are in accordance with common and necessary practice of listed issuers in industries which are subject to foreign investment restrictions in the PRC and are fundamental for the Company to effectively exercise and maintain control over the operations of the OPCO, obtain the economic benefits and prevent leakage of the assets and values of the OPCO to the PRC Equity Owners after Completion.

Pursuant to the relevant provisions of the Structured Contracts, the Structured Contracts may be unwound as soon as the relevant PRC laws allow the WFOE to register itself as the shareholder of the OPCO. The Directors further believe that save as disclosed in this announcement, the Structured Contracts are enforceable under the relevant PRC laws, and that the Structured Contracts will provide a mechanism that enables the WFOE to exercise effective control over the OPCO.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, the OPCO has not encountered any interference or encumbrance from any governing bodies in operating its business.

The Directors believe that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses involving value-added telecommunications services in the PRC that are subject to foreign investment restrictions.

The Directors, including the independent non-executive Directors, consider that upon Completion, (i) the Contractual Arrangements are an integral part of the transactions contemplated under the Share Transfer Agreement; (ii) the Contractual Arrangements allow the Group, via the Target Company and the WFOE, to take control and enjoy the economic benefits of the OPCO; and (iii) a number of other companies use similar arrangements to accomplish the same purpose, and therefore, the Contractual Arrangements are fair and reasonable, on normal commercial terms and in the ordinary and usual course of the business of the Group, and are in the interest of the Company and the Shareholders as a whole.

The Board has approved the transactions contemplated under the Contractual Arrangements. None of the Directors had material interests in the Contractual Arrangements. Therefore, no Director is required to abstain from voting on the resolutions of the Board approving the Contractual Arrangements.

IX. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for the Group to operate certain businesses in the PRC through the Contractual Arrangements do not comply with applicable PRC Laws, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in the OPCO.

Various regulations in the PRC restrict or prohibit foreign-invested enterprises from holding certain licences required to operate business involving value-added telecommunications services in the PRC. The Company is a company incorporated under the laws of Hong Kong and the WFOE is a foreign-invested enterprise. In light of the abovementioned restrictions, by means of entering into the Contractual Arrangements, the Company, via the WFOE is able to exercise effective control of the OPCO and the WFOE is able to receive substantially all of the economic benefits from the operation by the OPCO with effect from Completion.

However, there are substantial uncertainties regarding the interpretation and application of PRC Laws, including without limitation the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, and other relevant PRC Laws. Accordingly, there can be no assurance that the PRC regulatory authorities that regulate value-added telecommunications services in the PRC, in particular, the MIIT, will ultimately take a view that is consistent with the opinion of the PRC Legal Advisers.

The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC Laws. If the corporate structure and the agreements under the Contractual Arrangements are deemed to be illegal, either in whole or in part, by competent PRC authorities, such corporate

structure and/or Contractual Arrangements may have to be modified to comply with regulatory requirements. Further, if such corporate structure and/or Contractual Arrangements were found to be in violation of any existing or future PRC Laws, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including, without limitation:

- (a) revoking the Contractual Arrangements;
- (b) revoking the business and operating licenses of the OPCO;
- (c) discontinuing or restricting the operations of the OPCO in the PRC;
- (d) imposing fines or confiscating any of the income that they deem to have been obtained through illegal operations;
- (e) imposing conditions or requirements with which the Company and/or the Target Group Companies may not be able to comply;
- (f) requiring the Company and/or the Target Group Companies to restructure the relevant corporate structure and/or Contractual Arrangements; or
- (g) taking other regulatory or enforcement actions that could be harmful to the business operation of the Target Group.

Any of these actions could cause significant disruption to the business operation of the Target Group, and may materially and adversely affect the business, financial condition and results of operations of the Company. In addition, it is unclear what impact the PRC government actions would have on the Company and on its ability to consolidate the financial results of the OPCO in the Company's consolidated financial statements, if the PRC governmental authorities find the abovementioned legal structure and Contractual Arrangements to be in violation of PRC laws and regulations. In addition, if the imposition of any of these penalties or requirement to restructure of corporate structure causes the Company to lose the rights to direct the activities of the OPCO or the Company's right to receive economic benefits from the OPCO, the Company would no longer be able to consolidate the financial results of the OPCO in the Company's financial statements.

The Contractual Arrangements may not be as effective in providing operational control as direct ownership and the OPCO or relevant parties may fail to perform their obligations under the Contractual Arrangements.

Upon Completion, the revenue and cash flow from the Target Group will be contributed by the OPCO. The Contractual Arrangements may not be as effective as direct ownership in providing the Company (via the Target Company) with control over the OPCO. Direct ownership would allow the Group, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of

directors of the OPCO, which, in turn, could affect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if the OPCO fails to perform its obligations under the Contractual Arrangements, the Group (via the Target Company) may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these Contractual Arrangements or the Company experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, the Company may not be able to exert effective control over the OPCO and may lose control over the assets owned by the OPCO. As a result, the Company may be unable to consolidate the OPCO in its consolidated financial statements, which could materially and adversely affect its financial condition and results of operations.

The PRC Equity Owners may potentially have a conflict of interests with the Group.

The Group's control over the OPCO is based on the contractual arrangements under the Structured Contracts. Therefore, conflict of interests of the registered shareholders of the OPCO (i.e. the PRC Equity Owners) will adversely affect the interests of the Company. However, under the Structured Contracts, the PRC Equity Owners will irrevocably appoint any person as designated by the WFOE as their representative to exercise the voting rights of the shareholders. Therefore, it is unlikely that there will be potential conflict of interests between the Company and such PRC Equity Owners. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the registered shareholders.

The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under any Structured Contract was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust the income and expenses of the OPCO and/or the WFOE for PRC tax purposes, which could result in higher tax liabilities.

The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the OPCO or the WFOE increase significantly or if they are required to pay interest on late payments and other penalties.

The WFOE's ability to acquire the shares in the OPCO may be subject to various limitations and substantial costs.

Pursuant to the Contractual Arrangements, the WFOE (or its designee(s)) has the exclusive right to purchase all or any part of the shares in the OPCO from the PRC Equity Owners at a price equivalent to the lower of (i) the face value of the registered capital corresponding to the equity interests transferred; and (ii) the minimum amount of consideration as permitted under applicable PRC laws. The PRC Equity Owners will be subject to PRC individual income tax on the difference between the purchase price and the capital contribution amount that has been paid in by such PRC Equity Owners to the OPCO. Pursuant to the Contractual Arrangements, any consideration received by the PRC Equity Owners for such transfer shall be returned to the WFOE. The amount to be received by the WFOE may also be subject to enterprise income tax. As such, the costs incurred from the WFOE's exercise of the call option under the Contractual Arrangements could be substantial.

The Group may bear economic risk which may arise from difficulties in the operation of the OPCO.

As the primary beneficiary of the OPCO, the WFOE will share both profit and loss of the OPCO. Equally, the WFOE bears economic risks which may arise from difficulties in the operation of the OPCO's business. The WFOE may have to provide financial support in the event of financial difficulty of the OPCO. Since the WFOE will become a non-wholly owned subsidiary of the Company upon Completion and its financial results will be consolidated into the consolidated financial statements of the Company, under the aforementioned circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the OPCO and the need to provide financial support to the OPCO.

Certain provisions in the Contractual Arrangements may not be enforceable under PRC laws.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit the Company's ability to enforce the Contractual Arrangements. In the event that the Company, the Target Company and/or the WFOE is unable to enforce the Contractual Arrangements, or if the Company, the Target Company and/or the WFOE suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the OPCO, and the Company's ability to conduct certain businesses and the financial condition, results of operations and prospects of the Company may be materially and adversely affected.

Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or shares in the OPCO in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the British Virgin Islands may not be recognisable or enforceable in the PRC. PRC laws do not allow the arbitral body to grant an award of transfer of assets of or shares in the OPCO in favour of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements, and if the Company, the Target Company and/or the WFOE is unable to enforce the Contractual Arrangements, the Company may not be able to exert effective control over the OPCO via the Target Company and the WFOE, which could materially and adversely affect the ability to conduct certain businesses by the Company.

The Company may lose the ability to use and enjoy the assets held by the OPCO if the OPCO declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The OPCO holds certain assets that are critical to the licensed operations. The Contractual Arrangements contain terms that specifically obligate the PRC Equity Owners to ensure the valid existence of the OPCO and that it may not be voluntarily liquidated without the consent of the WFOE. However, in the event that the PRC Equity Owners breach this obligation and voluntarily liquidate the OPCO, or the OPCO declares bankruptcy, all or part of the assets of the OPCO may become subject to liens or rights of third-party creditors and the Company (via the Target Company and the WFOE) may be unable to continue some or all of the licensed operations, which could materially and adversely affect the business, financial condition, results of operations and prospects of the Company. If the PRC Equity Owners breach or cause the OPCO to breach the Contractual Arrangements, the Company and/or the WFOE would have to rely on legal proceedings, to resolve disputes between the WFOE, the OPCO and/or the PRC Equity Owners, which may be expensive, time-consuming and disruptive to the operations of the Company. There is also substantial uncertainty as to the outcome of any such legal proceedings.

The Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the operation of the OPCO, the financial results and financial position of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of the current corporate structure, Contractual Arrangements, corporate governance and business operations of the Group and the Target Group.

Description of the Foreign Investment Law

On 15 March 2019, the National People’s Congress of the PRC approved the foreign investment law (the “**Foreign Investment Law**”), which has come into effect on 1 January 2020 and replace the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

The Foreign Investment Law embodies the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of “foreign investment” in the future. In addition, the aforementioned definition of “foreign investment” contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment.

Impact of the Foreign Investment Law on variable interest entity (the “VIE”)

The VIE structure has been adopted by many fully or partially foreign-owned companies (including the Target Company by way of the Contractual Arrangements) which, through its subsidiaries in the PRC, assumes control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the

“FIE”) proposes to conduct business in an industry subject to foreign investment “restrictions” in the “negative list”, the FIE must meet certain conditions under the “negative list” before being established. An FIE shall not conduct or engage in business in an industry subject to foreign investment “prohibitions” in the “negative list”. It is uncertain whether the businesses operated by the OPCO from time to time will be or continue to be subject to the foreign investment restrictions or prohibitions under the “negative list” to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, there will be substantial uncertainties as to whether such actions can be completed by the Group and the Target Group Companies in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the current corporate structure and business operations of the Group and the Target Group, as well as the ability of the Group and the Target Group to be or continue to be engaged in businesses subject to the foreign investment restrictions or prohibitions.

Potential risks to the Group

The Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Group may be required to dispose of the business under the Contractual Arrangements and will lose rights to receive the economic benefits from the OPCO, such that the financial results of the OPCO would no longer be consolidated into the Company’s financial results and the Company will have to de-recognise assets and liabilities of the OPCO according to the relevant accounting standards. If the Company no longer has a sustainable business after such disposal, the Stock Exchange may delist the Company.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

The Foreign Investment Law was approved by the National People’s Congress of the PRC on 15 March 2019 and came into effect on 1 January 2020. As aforementioned, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the help of the Company’s PRC legal advisers, including but not limited to any new negative list issued by or approved to be issued by the NDRC and the MOFCOM, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal advisers in order to assess any possible impact arising from the development of the Foreign Investment Law on the Contractual Arrangements and the business operation of the Group.

In case there would be material and adverse effect on the Group or the business of the Target Group arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal opinion and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

X. INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

It is expected that upon Completion, the Company will appoint Ms. Xiao as the Group's vice-general manager to oversee and manage the business of the OPCO and retain the OPCO's employees to further develop the business of the OPCO. Furthermore, upon Completion and pursuant to the Shareholders' Agreement, the Company intends to appoint two representatives with management or sales and marketing capabilities (namely, Mr. Sun Peng, an executive Director, and Ms. Xiao, collectively, the "**Representatives**") as directors of each of the Target Company, Beishang (HK), the WFOE and the OPCO to supervise the day to day operations of the OPCO.

In addition to the internal control measures provided in the Structured Contracts, it is the intention of the Company, following Completion, to implement, through the Target Company and the WFOE, additional internal control measures adopted by the Group from time to time. The Company will also put in place internal reporting procedures to ensure the OPCO's management provides adequate and complete information to the Board in a timely manner which enables the Board to closely manage and supervise the operations of the OPCO. Such internal control measures and internal reporting procedures include but not limited to the following:

- (a) the Group's Representatives will mainly be responsible for exercising management control of the OPCO. The Representatives will conduct reviews on the operations of the OPCO and report their findings to the Board from time to time;
- (b) the OPCO's management shall report to the executive Directors the business operations of the OPCO on a weekly basis;
- (c) the OPCO's management shall promptly communicate with the executive Directors in respect of any major issues or decisions concerning the OPCO;
- (d) the Board and the Representatives shall identify issues arising from the implementation of and compliance with the Structured Contracts;
- (e) any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

- (f) the Representatives or other delegates of the Board shall meet with the PRC Equity Owners or directors of the OPCO to investigate and report any suspicious matters to the Board;
- (g) the Company's finance team will obtain the OPCO's monthly management accounts, bank statements and cash balances for review within 30 days after the end of each month. The Company's finance team will also seek explanations from the senior management of the OPCO for any significant fluctuations in the above collected operation data;
- (h) upon the Company's request, the OPCO shall assist the Group to conduct all on-site internal audits;
- (i) the Board will consult the Company's PRC legal advisers from time to time to check if there are any legal developments in the PRC affecting the arrangement contemplated under the Structured Contracts, and the Board will determine if any modification or amendment is required to be made;
- (j) major issues arising from implementation and performance of the Structured Contracts, if any, will be reviewed by the Board on a regular basis; the Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Structured Contracts;
- (k) the Board will disclose the overall performance and compliance with the Structured Contracts in its annual report to update the Shareholders and potential investors; and
- (l) the Company will comply with the conditions prescribed under the Waiver.

XI. INFORMATION ON THE GROUP, THE PURCHASER, THE VENDOR, MR. SUN AND MR. BAI

The Group is principally engaged in shipping and logistics and the Purchaser is a wholly-owned subsidiary of the Company which is principally engaged in investment holding.

The Vendor is a company incorporated in the Cayman Islands and is owned as to 60% by SunzhengBS Limited and 40% by BailanBS Limited. Mr. Sun is the sole shareholder of SunzhengBS Limited and Mr. Bai (or his successor, Ms. Quan) is the sole shareholder of BailanBS Limited.

Mr. Sun is a merchant and is a registered shareholder of the OPCO who is interested in 60% equity interests in the OPCO.

Mr. Bai (or his successor, Ms. Quan) is a registered shareholder of the OPCO who is interested in 40% equity interests in the OPCO.

Ms. Quan is the spouse of Mr. Bai and the successor of Mr. Bai in respect of (i) Mr. Bai's 40% equity interests in the OPCO; (ii) Mr. Bai's rights and obligations under the Structured Contracts; and (iii) Mr. Bai's interests in BailanBS Limited.

XII. LISTING RULES IMPLICATIONS

A. The Acquisition

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is/are more than 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

B. The Contractual Arrangements

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company. Given Mr. Sun will remain as a director of the Target Company, Beishang (HK), the WFOE and the OPCO upon Completion and that Mr. Sun is a substantial shareholder of the OPCO by virtue of being a registered owner of the OPCO holding 60% equity interests in the OPCO, Mr. Sun will be regarded as a connected person of the Company at subsidiary level. Furthermore, Mr. Bai will also be regarded as a connected person of the Company at subsidiary level by virtue of being a director of the Target Company and Beishang (HK) within 12 months preceding Completion and Ms. Quan, being the spouse of Mr. Bai, is considered as Mr. Bai's associate and will also be a connected person of the Company at subsidiary level upon Completion. Since Mr. Sun is the registered owner of the OPCO holding 60% of the OPCO's equity interests, the OPCO is regarded as an associate of Mr. Sun under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Structured Contracts which were entered into by the WFOE with Mr. Sun, Mr. Bai (or his successor, Ms. Quan) and the OPCO will constitute continuing connected transactions of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Board has approved the transactions under the Contractual Arrangements and the Directors (including the independent non-executive Directors) have also confirmed that the terms thereof are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Therefore, by virtue of Rule 14A.101 of the Listing Rules, the transactions under the Contractual Arrangements is subject to the reporting and announcement requirements applicable to connected transactions, but are exempt from the circular, independent financial advice and Shareholders' approval requirements.

None of the Directors has a material interest in the transactions contemplated under the Contractual Arrangements or is required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the articles of association of the Company.

The Company has applied for, and the Stock Exchange has granted, the Waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the Structured Contracts for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap for the fees payable by the OPCO to the WFOE under the Exclusive Business Consultancy Services Agreement and the amount of loans to be made available by the WFOE to the PRC Equity Owners under the relevant Structured Contracts pursuant to Rule 14A.53 of the Listing Rules, subject to the following conditions:

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

No change to the terms of the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of the Company's 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 (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable the Group (via the Target Company and the WFOE) to receive the economic benefits derived by the OPCO through (i) the WFOE's option (to the extent permitted under PRC laws and regulations) to acquire, all or part of the equity interest in the OPCO at the minimum purchase price permitted under PRC laws and regulations; (ii) the business structure under which the profit generated by the OPCO is substantially retained by the WFOE, such that no annual cap shall be set on the amount of fees payable to the WFOE by the OPCO under the Exclusive Business Consultancy Services Agreement; and (iii) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the OPCO.

(d) 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 one hand, and the OPCO, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the OPCO which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. 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 OPCO which the Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of the Company and transactions between these connected persons and the 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.

(e) Ongoing reporting and approvals

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

- (i) The Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.
- (ii) 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, have been operated so that the profit generated by the OPCO has been substantially retained by the WFOE; (ii) no dividends or other distributions have been made by the OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the WFOE; and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

- (iii) The Company’s auditors 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, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the WFOE.
- (iv) For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the OPCO will be treated as the Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of the OPCO and its associates will be treated as connected persons of the Company (excluding for this purpose, the OPCO), and transactions between these connected persons and the Group (including for this purpose, the OPCO), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) The OPCO will undertake that, for so long as the Shares are listed on the Stock Exchange, the OPCO 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’ review of the connected transactions.

As completion of the Acquisition is subject to satisfaction and/or waiver of a number of conditions precedent, the Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

XIII. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

- “Acquisition” the acquisition of the Target Company by the Purchaser from the Vendor pursuant to the terms of the Share Transfer Agreement
- “BailanBS Limited” BailanBS Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Bai (or his successor, Ms. Quan)

“Beishang (HK)”	Beishang Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company
“Board”	the board of Directors
“Company”	Asia Energy Logistics Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the third business day immediately after (a) the day where all the conditions precedent are fulfilled and/or waived (where applicable); or (b) the Long Stop Date, whichever is the earlier, or such later date as agreed in writing by the parties to the Share Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$10.0 million, the consideration for the Acquisition
“Contractual Arrangements”	the series of contractual arrangements entered into among the WFOE, the OPCO and the PRC Equity Owners, details of which are set out in the section headed “VI. The Contractual Arrangements” in this announcement
“Deposit”	has the meaning ascribed to it under the section headed “II. The Share Transfer Agreement — Consideration” in this announcement
“Director(s)”	director(s) of the Company
“Equity Owners Undertaking(s)”	the undertaking(s) dated 20 January 2021 and given by Mr. Sun and Mr. Bai to the WFOE, details of which are set out in the section headed “VI. The Contractual Arrangements — A. Principal terms of each of the Structured Contracts — 6. Equity Owners Undertakings” in this announcement
“Equity Pledge Agreement(s)”	the agreement(s) dated 20 January 2021 and entered into between the WFOE, Mr. Sun and Mr. Bai, details of which are set out in the section headed “VI. The Contractual Arrangements — A. Principal terms of each of the Structured Contracts — 4. Equity Pledge Agreements” in this announcement

“Exclusive Business Consultancy Services Agreement”	the agreement dated 20 January 2021 and entered into between the WFOE and the OPCO in relation to the provision of business consultancy services by the WFOE to the OPCO
“Exclusive Call Option Agreement”	the agreement dated 20 January 2021 and entered into among Mr. Sun, Mr. Bai, the OPCO and the WFOE, in relation to, among others, the grant of exclusive call option by the PRC Equity Owners to the WFOE
“Group”	the Company and its subsidiaries
“Guarantors”	collectively, Mr. Sun and Ms. Quan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“ICP Licence”	a value-added telecommunications business operating licence for the purpose of conducting value-added telecommunications services in the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement(s)”	the loan agreement(s) dated 20 January 2021 and entered into between the WFOE with Mr. Sun and Mr. Bai, details of which are set out in the section headed “VI. The Contractual Arrangements — A. Principal terms of each of the Structured Contracts — 3. Loan Agreements” in this announcement
“Long Stop Date”	30 June 2021 or such later date as the Vendor, the Purchaser and the Guarantors may agree in writing
“MIIT”	the Ministry of Industry and Information Technology of the PRC
“MOFCOM”	the Ministry of Commerce of the PRC

“Mr. Bai”	Bai Lan (白嵐) (a deceased), the sole shareholder of BailanBS Limited and holding 40% equity interests in the OPCO and the spouse of Ms. Quan
“Mr. Sun”	Sun Zheng (孫政), the sole shareholder of SunzhengBS Limited and holding 60% equity interests in the OPCO
“Ms. Quan”	Quan Hong (權紅), the spouse of Mr. Bai and the successor of Mr. Bai in respect of (i) Mr. Bai’s 40% equity interests in the OPCO; (ii) Mr. Bai’s rights and obligations under the Structured Contracts; and (iii) Mr. Bai’s interests in BailanBS Limited
“NDRC”	the National Development and Reform Commission
“OPCO”	北京北商西電科技有限公司 (Beijing Beishang Xidian Technology Co., Ltd.*), a company established in the PRC
“PRC”	The People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Equity Owners”	the persons with the PRC nationality who are the registered shareholders of the OPCO and hold the entire equity interests of the OPCO, namely, Mr. Sun and Mr. Bai (or the successor of Mr. Bai, i.e. Ms. Quan)
“PRC Legal Advisers”	Shu Jin Law Firm, the PRC legal advisers to the Purchaser
“Purchaser”	Sky Universe Investment Company Limited 天世國際投資有限公司, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	60 Targetco Shares, representing 60% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of the Company
“Share Transfer Agreement”	the share transfer agreement dated 30 April 2021 and entered into among the Purchaser, the Vendor and the Guarantors in relation to the Acquisition
“Shareholder(s)”	the holder(s) of the Share(s)

“Shareholders’ Agreement”	the shareholders agreement to be entered into among the Purchaser, the Vendor and the Target Company to govern the management and affairs of the Target Group
“Spousal Undertaking(s)”	the spousal undertaking(s) dated 20 January 2021 and given by the spouse of Mr. Sun and Mr. Bai to the WFOE, details of which are set out in the section headed “VI. The Contractual Arrangements — A. Principal terms of each of the Structured Contracts — 7. Spousal Undertakings” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Exclusive Business Consultancy Services Agreement, the Exclusive Call Option Agreement, the Loan Agreements, the Equity Pledge Agreements, the Voting Rights Delegation Agreement, the Equity Owners Undertakings and the Spousal Undertakings
“SunzhengBS Limited”	SunzhengBS Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sun
“Target Company”	Beishang Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, including the OPCO which is controlled by the Target Company through the Contractual Arrangements
“Target Group Companies”	companies within the Target Group
“Targetco Share(s)”	ordinary share(s) in the capital of the Target Company
“Targetco Shareholder(s)”	holder(s) of Targetco Share(s)
“Vendor”	Beishang Limited, a company incorporated in the Cayman Islands and is owned as to 60% by SunzhengBS Limited and 40% by BailanBS Limited

“Voting Rights Delegation Agreement”	the shareholder voting rights delegation agreement dated 20 January 2021 and entered into among Mr. Sun, Mr. Bai, the WFOE and the OPCO
“Waiver”	the waiver granted by the Stock Exchange to the Company from strict compliance with (i) fixing the term of the Structured Contracts for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the fees payable by the OPCO to the WFOE under the Exclusive Business Consultancy Services Agreement and the amount of loans to be made available by the WFOE to the PRC Equity Owners under the relevant Structured Contracts
“WFOE”	北京北西商務諮詢有限公司 (Beijing Beixi Business Consultancy Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Target Company
“%”	per cent

* For identification purpose only

By Order of the Board
Asia Energy Logistics Group Limited
Pang Yuet
Chairman and Executive Director

Hong Kong, 30 April 2021

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yuet (Chairman), Ms. Jian Qing and Mr. Sun Peng; and the independent non-executive directors of the Company are Mr. Ng Kwun Wan, Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.