

CONNECTED TRANSACTIONS

OUR CONNECTED PERSONS

We have entered into certain transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon [REDACTED]. Those transactions are entered into with the following connected persons and their associates:

<u>Connected Person</u>	<u>Connected Relationship</u>
Chervon Auto Precision Technology	Chervon Auto Precision Technology is owned as to 35.75% by Chervon Precision Technology, which is an indirect subsidiary of Panmercy. As such, Chervon Auto Precision Technology is an associate of Panmercy and therefore our connected person under Rule 14A.13(3) of the Listing Rules.
Nanjing Yaoquan Investment Management Co., Limited* (南京耀泉投資管理有限公司) (“ Nanjing Yaoquan ”)	Nanjing Yaoquan is wholly-owned by Nanjing Suquan Investment Co., Limited* (南京蘇泉投資管理有限公司), which is owned as to 75.12% by Mr. Xiao Jun (肖鈞) ⁽¹⁾ , who was a former director of our Company in the last 12 months. Nanjing Yaoquan is an associate of Mr. Xiao Jun and therefore our connected person under Rule 14A.12(1)(c) of the Listing Rules.
Cheng & Cheng Corporate Services Limited (“ Cheng & Cheng ”)	Cheng & Cheng is owned as to 50% by Mr. Cheng Hong Kei (鄭康棋) and 50% by his spouse. Cheng & Cheng is an associate of Mr. Cheng Hong Kei, a director of Chervon (HK) Limited, and therefore our connected person under Rule 14A.12(1)(c) of the Listing Rules.
Cheng & Cheng Taxation Services Limited (“ Cheng & Cheng Taxation ”)	Cheng & Cheng Taxation is owned as to 50% by Mr. Cheng Hong Kei (鄭康棋) and 50% by his spouse. Cheng & Cheng Taxation is an associate of Mr. Cheng Hong Kei, a director of Chervon (HK) Limited, and therefore our connected person under Rule 14A.12(1)(c) of the Listing Rules.

Note:

- (1) The reason for the resignation of Mr. Xiao Jun as a director of our Company with effect from August 4, 2021 is to enhance corporate governance and to adjust the board structure and composition in light of its proposed [REDACTED] and the relevant Listing Rules requirements. It is the intention that Mr. Xiao Jun shall focus on the investment management business and continue to serve as a director of our associated entities which are principally engaged in investment business, including Chervon Capital Management Limited, Chervon Investment Limited, Chervon International Trading and Nanjing Yaoquan Investment Management Co., Ltd..

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Following the Group’s disposal of its interest in Nanjing Suquan Investment Co., Ltd. and Nanjing Yaoquan Investment Management Co., Ltd. on March 12, 2019, our Directors believe that it is more suitable for Mr. Xiao Jun to cease being a director of our Company for clearer business delineation.

To the best of our Director’s knowledge and belief, there was no dispute or disagreement between Mr. Xiao Jun and the Company, Directors or Shareholders and there is no other matter relating to his resignation that needs to be brought to the attention of our Shareholders.

OUR EXISTING ONE-OFF CONNECTED TRANSACTION

1. *Subscription of Public A Share Convertible Bonds*

Parties: Chervon (China) Investment (our wholly-owned subsidiary) (as subscriber) and Chervon Auto Precision Technology (as issuer)

Principal terms: On August 3, 2021, Chervon Auto Precision Technology announced that it has obtained approval from the CSRC to issue public A-share convertible bonds (the “**A Share Convertible Bonds**”) in an aggregate principal amount of RMB620 million (US\$95.9 million) with a maturity date on the sixth year after the date of issuance. Pursuant to the terms of the A Share Convertible Bonds offering, Chervon (China) Investment as an existing shareholder has pre-emptive rights to subscribe for the A Share Convertible Bonds in an amount up to the proportional interests of such shareholder in Chervon Auto Precision Technology. Chervon (China) Investment, which owns 23.12% of Chervon Auto Precision Technology, has exercised and paid for such pre-emptive rights to subscribe for RMB118.5 million (US\$18.3 million) of the principal amount of the A Share Convertible Bonds. As the A Share Convertible Bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the [REDACTED].

If Chervon (China) Investment opts not to convert its convertible bonds upon their expiry, the shareholding in Chervon Auto Precision Technology held by Chervon (China) Investment would be diluted from 23.12% as of the Latest Practicable Date to approximately 20.86% immediately after full conversion of convertible bonds by other subscribers based on the current conversion price, assuming that there is no other change in the issued share capital and shareholding structure of Chervon Auto Precision Technology at the maturity date of the A Share Convertible Bonds.

Details of the A Share Convertible Bonds are as follows:

Type of Convertible Bonds Issued	The A Share Convertible Bonds were issued on September 14, 2021 (the “ Date of Issuance ”) at par with a nominal value of RMB100 each.
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The A Share Convertible Bonds can be converted into A share(s) of Chervon Auto Precision Technology with a nominal value of RMB1.00 each which are listed on the Shanghai Stock Exchange and traded in RMB (stock code: 603982) (the “**A Shares**”).

Maturity Date	September 13, 2027 (six years after the Date of Issuance)
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Interest Rate, Timing of Interest Payment

The A Share Convertible Bonds will bear a coupon rate of 0.4% in the first year, 0.6% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.5% in the fifth year and 3.0% in the sixth year.

The interest of the A Share Convertible Bonds will be paid annually, and the principal and the interest for the final year will be paid upon maturity.

(1) *Calculation of Annual Interest*

“**Annual Interest**” means the interest accrued to a holder of the A Share Convertible Bonds (the “**A Share Convertible Bonds Holder**”) in each year on each anniversary of the Date of Issuance which is calculated based on the aggregate nominal value of the A Share Convertible Bonds held by him/her.

The formula for calculating the Annual Interest is:
 $I=B \times i$

I: denotes the Annual Interest;

B: denotes the aggregate nominal value of the A Share Convertible Bonds held by an A Share Convertible Bonds Holder as at the record date for interest payment (“**that year**” or “**each year**”) in an interest accrual year;

i: denotes the coupon rate of the A Share Convertible Bonds of that year.

(2) *Timing of interest payment*

a. Interest of the A Share Convertible Bonds will be paid annually, accruing from the Date of Issuance.

b. Interest payment date: the interest is payable annually on each anniversary of the Date of Issuance. If such date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the first trading day immediately thereafter, provided that no additional interest will be accrued during the period of postponement. The period between an interest payment date and the immediately following interest payment date will be an interest accrual year.

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Upon occurrence of any of the above-mentioned changes in shares and/or interests of the shareholders of Chervon Auto Precision Technology, Chervon Auto Precision Technology will adjust the conversion price in accordance with the method determined, and publish an announcement in relation to the adjustment of the conversion price on the media designated by CSRC for information disclosure of listed companies. Such announcement will indicate the date of adjustment to the conversion price, adjustment method and suspension period of share conversion (if necessary). If the conversion price adjustment date is on or after the date on which an A Share Convertible Bonds Holder applies for conversion of his/her A Share Convertible Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion will be executed based on the conversion price adjusted by Chervon Auto Precision Technology.

In the event that the creditor's interests or the interests derived from the share conversion of the A Share Convertible Bonds Holders are affected by the change in Chervon Auto Precision Technology's share class, quantity and/or the interests of the shareholders of Chervon Auto Precision Technology due to any possible share repurchase, consolidation, division or any other circumstances, Chervon Auto Precision Technology will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of A Share Convertible Bonds Holders. The details of adjustment to conversion price and its implementation measures shall be determined in accordance with then relevant PRC laws and regulations and the relevant requirements of the securities regulatory authorities.

CONNECTED TRANSACTIONS

Terms of Downward Adjustment to Conversion Price (1) *Authorization and magnitude of adjustment*

If, during the term of the A Share Convertible Bonds, the closing prices of the A Shares in at least 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing conversion price, the board of directors of Chervon Auto Precision Technology is entitled to propose a downward adjustment to the conversion price and submit it to the shareholders of Chervon Auto Precision Technology at the general meeting for their consideration and approval. In the event that an adjustment to the conversion price by Chervon Auto Precision Technology is made during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

The above-mentioned proposals are subject to approvals of more than two-thirds of the shareholders of Chervon Auto Precision Technology with voting rights who attend the general meeting. The shareholders of Chervon Auto Precision Technology who hold the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the average trading price of the A Shares for 20 trading days preceding the date of the general meeting for consideration and approval of the aforementioned proposals and the average trading price of the A Shares on the trading day preceding the date of such meeting.

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(2) *Procedures of adjustment*

If a downward adjustment to the conversion price is approved at the general meeting, Chervon Auto Precision Technology will publish an announcement in relation to the resolutions at the general meeting on media designated by CSRC for information disclosure of listed companies. Such announcement will disclose information including the magnitude of the adjustment, the registration date of shares and the suspension period of share conversion (if necessary). Application for conversion at adjusted conversion price shall be resumed upon the first trading day after the registration date, i.e. the conversion price adjustment date. If the conversion price adjustment date is on or after the date on which an A Share Convertible Bonds Holder applies for conversion of his/her A Share Convertible Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion will be executed based on the adjusted conversion price.

Method for Determining the
Number of A Shares for
Conversion

Where an A Share Convertible Corporate Bonds Holder applies to convert his/her A Share Convertible Corporate Bonds into the A Shares during the conversion period, the formula for calculating the number of the A Shares to be issued upon conversion is as below:

$Q = V/P$, any fractional share shall be rounded down to the nearest integer.

Where: "Q": denotes the number of the A Shares to be issued upon conversion; "V": denotes the aggregate nominal value of the A Share Convertible Corporate Bonds in respect of which the A Share Convertible Corporate Bonds Holder applies for conversion; "P": denotes the valid conversion price on the date of application for conversion.

Within five trading days from the date of conversion by any A Share Convertible Corporate Bonds Holder, Chervon Auto Precision Technology shall pay the A Share Convertible Corporate Bonds Holder in cash an amount equal to the remaining balance of such A Share Convertible Corporate Bonds which is insufficient to be converted into one A Share and the interest accrued on such balance, in accordance with the relevant requirements of the Shanghai Stock Exchange and such other authorities.

CONNECTED TRANSACTIONS

Transferability and Restrictions The A Share Convertible Bonds are transferrable, provided that any transfer of the A Share Convertible Bonds is made in accordance with the laws, administrative regulations, the Rules for A Share Convertible Bonds Holders' Meetings and the articles of association of Chervon Auto Precision Technology.

Redemption

(1) *Terms of redemption upon maturity*

Within five trading days upon maturity of A Share Convertible Bonds, Chervon Auto Precision Technology will redeem all the A Share Convertible Bonds from the A Share Convertible Bonds Holders which have not been converted into A Shares by then, at a price calculated at 115% of the nominal value of A Share Convertible Bonds (including the interest accrued in the last interest accrual year).

(2) *Terms of conditional redemption*

During the conversion period of A Share Convertible Bonds, if the closing prices of the A Shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price, or the total par value of the outstanding A Share Convertible Bonds is lower than RMB30 million, Chervon Auto Precision Technology shall have the right to redeem all or part of the outstanding A Share Convertible Bonds, at a price equal to the nominal value of A Share Convertible Bonds plus then accrued interest.

In the event that an adjustment to the conversion price by Chervon Auto Precision Technology is made during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

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Terms of Sale Back

(1) *Terms of conditional sale back*

During the last two interest accrual years within the term of the A Share Convertible Bonds, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the A Share Convertible Bonds Holders are entitled to sell back all or part of the A Share Convertible Bonds they hold to Chervon Auto Precision Technology at a price equal to the nominal value of the A Share Convertible Bonds plus the then accrued interest.

In the event that an adjustment to the conversion price by Chervon Auto Precision Technology is made due to events such as distribution of share dividends, capitalization, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue and distribution of cash dividends during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day. In the event that there is a downward adjustment to the conversion price, the aforesaid "30 consecutive trading days" shall be re-counted from the first trading day following the adjustment to the conversion price.

The A Share Convertible Bonds Holders can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the above-mentioned agreed terms in the last two interest accrual years within the term of the A Share Convertible Bonds. If the sale back conditions are initially satisfied, but the A Share Convertible Bonds Holders do not apply for and exercise their sale back rights during the sale back declaration period then announced by Chervon Auto Precision Technology, they shall not exercise the sale back rights during such accrual years. The A Share Convertible Bonds Holders are not allowed to exercise part of their sale back rights repeatedly.

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(2) *Additional terms of sale back*

If the actual use of the proceeds from A Share Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by Chervon Auto Precision Technology in the A Share Convertible Bonds offering document, and such change is deemed as a deviation in the use of proceeds pursuant to relevant rules of CSRC or is considered by CSRC as a deviation in the use of proceeds, the A Share Convertible Bonds Holders will be entitled to a one-off right to sell all or part of A Share Convertible Bonds back to Chervon Auto Precision Technology at a price equal to the nominal value of the A Share Convertible Bonds plus then accrued interest. Upon the satisfaction of the additional condition of sale back, the A Share Convertible Bonds Holders may sell their A Share Convertible Bonds back to Chervon Auto Precision Technology during the additional sale back declaration period after it is announced by Chervon Auto Precision Technology. If the A Share Convertible Bonds Holders do not exercise their sale back rights during such period, they shall not exercise such rights later. Please refer to the terms of redemption above for the formula for calculating then accrued interest.

Events of Default

In the event that Chervon Auto Precision Technology defaults in paying the principal and interest of the A Share Convertible Bonds for the current period on time, Chervon Auto Precision Technology shall pay the accrued interest for the current period to the relevant A Share Convertible Bonds Holders, which is calculated based on the number of days on which interest is accrued and at a rate of 20% plus the nominal interest rate of the A Share Convertible Bonds in an interest accrual year. The A Share Convertible Bonds Holders may also convene an A Share Convertible Bonds Holders' meeting upon the occurrence of certain events of default, including but not limited to: (i) default in payment of the principal, interest or accrued interest of the A Share Convertible Bonds; (ii) capital reduction (excluding capital reduction as a result of share repurchase by Chervon Auto Precision Technology due to equity incentive schemes or a need to maintain its company value and its shareholders' interests), merger, division or dissolution or filing for bankruptcy undertaken by Chervon Auto Precision Technology; or (iii) occurrence of any event which has a material adverse effect on Chervon Auto Precision Technology's ability to pay the principal and interest or on the A Share Convertible Bonds Holders' interests, in which a resolution can be passed by the A Share Convertible Bonds Holders to initiate legal proceedings against Chervon Auto Precision Technology.

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Ranking	The new A Shares to be issued as a result of the conversion of the A Share Convertible Corporate Bonds shall rank <i>pari passu</i> with all the existing A Shares, and all ordinary holders of the A Shares (including those derived from the conversion of the A Share Convertible Corporate Bonds) whose names are recorded on the register of members of Chervon Auto Precision Technology on the record date for dividend distribution shall be entitled to receive the dividend of that period and enjoy equal rights and interests.
Listing Status	The A Share Convertible Bonds were listed on the Shanghai Stock Exchange on October 21, 2021 (bond code: 113629).

Listing Rules Implications: The subscription of public A Share Convertible Bonds is a one-off connected transaction of the Company for the purpose of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules are not applicable. The Company will comply with the reporting, announcement and/or independent Shareholders’ approval requirements (as applicable) under Chapter 14 and 14A of the Listing Rules, if necessary, in the event that Chervon (China) Investment proposes to exercise its conversion right under the convertible bonds.

OUR CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements

1. *Nanjing Chervon Auto Precision Technology Factory Lease*

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) (as lessor) and Chervon Auto Precision Technology (as lessee)

Principal terms: Nanjing Chervon Industry entered into a lease agreement with Nanjing Chervon Auto Precision Technology (the “**Nanjing Chervon Auto Precision Technology Factory Lease**”) on January 1, 2021, pursuant to which Nanjing Chervon Industry agreed to lease to Chervon Auto Precision Technology part of its factory of an area of approximately 7,651.22m² located at No. 159 Jiangjun Avenue, Jiangning District, Nanjing, the PRC (the “**Factory**”) for a term commencing from January 1, 2021 to December 31, 2021.

Under the Nanjing Chervon Auto Precision Technology Factory Lease, the total rental payments receivable by Nanjing Chervon Industry for the year ending December 31, 2021 is RMB2,112,000. Such terms were determined by the parties through arm’s length negotiation with reference to the prevailing market rent of similar property located in the vicinity.

Historical amount: The historical rental expenses recognized by Nanjing Chervon Industry from Chervon Auto Precision Technology for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB564,000, RMB366,000, RMB526,000 and RMB1,006,000, respectively. The increase in the rental payments for the six months ended June 30, 2021 was due to an increase in the leased factory area at the same location from 2,000m² to 7,651.22m² from January 1, 2021 onwards.

CONNECTED TRANSACTIONS

Listing Rules Implications: Since the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Nanjing Chervon Auto Precision Technology Factory Lease are less than 0.1%, the transactions under the Nanjing Chervon Auto Precision Technology Factory Lease constitute *de minimis* transactions of our Company and are exempt from the reporting, announcement, annual review and independent Shareholder’s approval requirements under Chapter 14A of the Listing Rules.

2. *Water Utility Bill Sharing Agreement*

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) and Nanjing Chervon Auto Precision Technology

Principal terms: Due to the design of the Factory shared by the parties, Chervon Auto Precision Technology has no independent water meter with the relevant utility services provider and needs to share such facility with Nanjing Chervon Industry, who maintains the water utility account for the Factory. As such, Nanjing Chervon Industry entered into a water utility bill sharing agreement with Chervon Auto Precision Technology on January 1, 2021, pursuant to which Nanjing Chervon Industry agreed to procure supply of water services in respect of the Factory for the operations of Chervon Auto Precision Technology for a term commencing from January 1, 2021 to December 31, 2021.

The water supply services in respect of the Factory are payable by Chervon Auto Precision Technology to Nanjing Chervon Industry on an at-cost basis at the government-prescribed rates charged on the Factory and the consumption amount will be confirmed by both parties by jointly inspecting the readings on the relevant meter on a monthly basis. Nanjing Chervon Industry will subsequently settle the amount with the relevant utility services provider.

Historical amount: The historical water utility charges recognized by Nanjing Chervon Industry from Chervon Auto Precision Technology for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB568,000, RMB577,000, RMB756,000 and RMB455,000, respectively.

Listing Rules Implications: The utility supply service is “consumer services” on the basis that such service is (i) of a type ordinarily supplied for the private use or consumption of Chervon Auto Precision Technology; (ii) for its own consumption or use and there is an open market and transparency in the pricing of the service; (iii) consumed or used by them in the same state as when they were bought; and (iv) of terms no less favorable to them than those terms available to independent third parties. On the basis of the above and given that our use of the water supply service is on normal commercial terms in its ordinary and usual course of business, the payment for water utility charges under the Water Utility Bill Sharing Agreement on an at-cost basis is fully exempt from the reporting, announcement and independent shareholders’ approval requirements under Rule 14A.97 of the Listing Rules.

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3. Electricity Utility Bill Sharing Agreement

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) and Chervon Auto Precision Technology

Principal terms: Due to the design of the Factory shared by the parties, Nanjing Chervon Industry has no independent electricity meter with the relevant utility services provider and needs to share such facility with Chervon Auto Precision Technology, who maintains the electricity utility account for the Factory. As such, Nanjing Chervon Industry entered into an electricity utility bill sharing agreement with Chervon Auto Precision Technology on January 1, 2021, pursuant to which Chervon Auto Precision Technology agreed to procure supply of electricity services in respect of the Factory for our operations for a term commencing from January 1, 2021 to December 31, 2021.

The electricity supply services in respect of the Factory are payable by Nanjing Chervon Industry to Chervon Auto Precision Technology on an at-cost basis at the government-prescribed rates charged on the Factory and the consumption amount will be confirmed by both parties by jointly inspecting the readings on the relevant meter on a monthly basis. Chervon Auto Precision Technology will subsequently settle the amount with the relevant utility services provider. Pursuant to a supplemental agreement dated June 1, 2021, Nanjing Chervon Industry agreed to prepay its electricity utility charges to Chervon Auto Precision Technology as deposit at the beginning of every month.

Historical amount: The historical electricity utility charges recognized by Nanjing Chervon Industry to Chervon Auto Precision Technology for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB11,778,000, RMB8,223,000, RMB8,059,000 and RMB2,504,000, respectively.

Listing Rules Implications: The utility supply service is “consumer services” on the basis that such service is (i) of a type ordinarily supplied for our private use or consumption; (ii) for our own consumption or use and there is an open market and transparency in the pricing of the service; (iii) consumed or used by us in the same state as when they were bought; and (iv) of terms no less favorable to our Group than those terms available to independent third parties. On the basis of the above and given that our use of the electricity supply service is on normal commercial terms in its ordinary and usual course of business, the payment for electricity utility charges under the Electricity Utility Bill Sharing Agreement on an at-cost basis is fully exempt from the reporting, announcement and independent shareholders’ approval requirements under Rule 14A.97 of the Listing Rules.

4. Nanjing Yaoquan Office Lease

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) (as lessor) and Nanjing Yaoquan (as lessee)

Principal terms: Nanjing Chervon Industry entered into a lease agreement with Nanjing Yaoquan (the “Nanjing Yaoquan Office Lease”) on January 1, 2021, pursuant to which Nanjing Chervon Industry agreed to lease to Nanjing Yaoquan an office area of approximately 300m² located at No. 99 West Tianyuan Road, Jiangning Economic and Technological Development Zone, Nanjing, the PRC for a term commencing from January 1, 2021 to December 31, 2021.

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Under the Nanjing Yaoquan Office Lease, the total rental expenses by Nanjing Chervon Industry for the year ending December 31, 2021 is RMB115,200 (including basic facilities charges, administrative charges, water and electricity utilities charges). Such terms were determined by the parties through arm’s length negotiation with reference to the prevailing market rent of similar property located in the vicinity.

Historical amount: The historical rental expenses recognized by Nanjing Chervon Industry from Nanjing Yaoquan for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB108,000, RMB112,000, RMB115,000 and RMB58,000, respectively.

Listing Rules Implications: Since the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Nanjing Yaoquan Office Lease are less than 0.1%, the transactions under the Nanjing Yaoquan Office Lease constitute *de minimis* transactions of our Company and are exempt from the reporting, announcement, annual review and independent Shareholder’s approval requirements under Chapter 14A of the Listing Rules.

5. *Company Secretarial Services Agreement*

Parties: Our Company and Cheng & Cheng

Principal terms: Our Company entered into a company secretarial services agreement with Cheng & Cheng (the “**Company Secretarial Services Agreement**”) on January 4, 2021, pursuant to which Cheng & Cheng agreed to provide company secretarial services, custody of company records and act as the designated representative of certain of our subsidiaries for a term commencing from January 1, 2021 to December 31, 2021.

Under the Company Secretarial Services Agreement, the total service fees payable for the year ending December 31, 2021 are HK\$88,200. Such terms were determined by the parties through arm’s length negotiation with reference to factors such as the personnel and working hours estimated to be equipped and spent on providing company secretarial services and other related services, the fees charged for historical transactions of similar nature and the prevailing market rent of similar services.

Historical amount: The historical service fees recognized by our Company to Cheng & Cheng for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were HK\$43,000, HK\$44,000, HK\$47,000 and HK\$46,000, respectively.

6. *Tax Compliance Services Agreement*

Parties: Our Company and Cheng & Cheng Taxation

Principal terms: Our Company entered into a tax compliance services agreement with Cheng & Cheng Taxation (the “**Tax Compliance Services Agreement**”) on February 9, 2021, pursuant to which Cheng & Cheng Taxation agreed to provide routine tax compliance services and prepare profits tax returns and tax computations to our Company and certain of its subsidiaries for a term commencing from January 1, 2021 to December 31, 2021.

CONNECTED TRANSACTIONS

Under the Tax Compliance Services Agreement, the total service fees payable for the year ending December 31, 2021 are HK\$79,500. Such terms were determined by the parties through arm's length negotiation with reference to factors such as the personnel and working hours estimated to be equipped and spent on providing tax compliance services, the fees charged for historical transactions of similar nature and the prevailing market rent of similar services.

Historical amount: The historical service fees recognized by Chervon (HK) Limited to Cheng & Cheng Taxation for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were HK\$78,000, HK\$80,000, HK\$70,000 and HK\$40,000, respectively.

Listing Rules Implications: Pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, since (i) Cheng & Cheng and Cheng & Cheng Taxation are both associates of Mr. Cheng Hong Kei, and are therefore connected persons of our Company; and (ii) our Company's transactions with these entities are of a similar nature, these transactions contemplated under the Company Secretarial Services Agreement and the Tax Compliance Services Agreement will be aggregated and treated as if they were one transaction. Accordingly, the annual caps in respect of these agreements with each of these entities are aggregated and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the aggregated transactions under the Company Secretarial Services Agreement and the Tax Compliance Services Agreement are less than 0.1%, the aggregated transactions constitute *de minimis* transactions of our Company and are exempt from the reporting, announcement, annual review and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' VIEW

In the view of our Directors (including our independent non-executive Directors), it is in the interests of our Group to continue with the continuing connected transactions described in this section after the [REDACTED], and that all these transactions are conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, the terms are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.