
CONNECTED TRANSACTIONS

Upon the [REDACTED], the following transactions between our connected persons and us will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

A. CONTINUING CONNECTED TRANSACTION

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

A waiver application from (i) strict compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to WFOE from Consolidated Affiliated Entities under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are [REDACTED] on the Stock Exchange, has been submitted to and [granted by] the Stock Exchange subject to certain conditions. If any terms of the Contractual Arrangements are altered or if we enter into any new agreements with any connected persons in the future, we must comply with the relevant requirements under Chapter 14A of the Listing Rules and obtain a separate waiver from the Stock Exchange.

Background for the Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in the PRC, we conduct our business through Consolidated Affiliated Entities, which hold the requisite license, permit and approval required for provisions of value-added telecommunication services in the PRC. The Contractual Arrangements entered into among WFOE, Consolidated Affiliated Entities and the Registered Shareholders of T&I Net Communication enable us to (i) receive substantially all of the economic benefits from Consolidated Affiliated Entities in consideration for the services provided by WFOE to Consolidated Affiliated Entities under the Exclusive Technical Services Agreements; (ii) exercise effective control over Consolidated Affiliated Entities to conduct the relevant business; and (iii) hold an exclusive purchase option to purchase all or any part of equity interests in T&I Net Communication and/or assets or interests in any of the assets of T&I Net Communication.

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: Exclusive Technical Services Agreements, Exclusive Purchase Option Agreement, Equity Pledge Agreement, Voting Proxy Agreement, Powers of Attorney and Spousal Consents made by the spouse of each of the individual Registered Shareholders. See the section headed “Contractual Arrangements” in this document for detailed terms of the Contractual Arrangements.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement, circular and approval of independent Shareholders.

Application for and Conditions of Waiver

In relation to the Contractual Arrangements, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange [has granted], a waiver from (i) strict compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to WFOE from Consolidated Affiliated Entities under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are [REDACTED] on the Stock Exchange subject to the following conditions:

(a) No Change without Independent Non-executive Directors’ Approval

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

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(b) *No Change without Independent Shareholders’ Approval*

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement, circular or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (c) below) will however continue to be applicable.

(c) *Economic Benefits Flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group’s potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of T&I Net Communication; (ii) the business structure under which the total income generated by the Consolidated Affiliated Entities (net of costs, taxes and retained profits (if any)) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to WFOE under the Exclusive Technical Services Agreements); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of T&I Net Communication.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, 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 our Group which our 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 described under the section headed “Contractual Arrangements” in this document. 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 our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

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(e) Ongoing Reporting and Approvals

We 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 our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entities will be treated as the Company’s wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their associates will be treated as the Company’s “connected persons.” As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entities further undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors’ on the connected transactions.

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Listing Rules Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

B. DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in this section have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole.

C. SOLE SPONSOR’S VIEWS

Based on the relevant documents and information provided by our Group and the Sole Sponsor’s participation in the due diligence and discussions with the management of our Company, the Sole Sponsor is of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; (ii) the continuing connected transactions described in this section have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole; and (iii) it is normal business practices for the Contractual Arrangements to be of a term greater than three years.