

CONNECTED TRANSACTIONS

OVERVIEW

Upon [REDACTED], several transactions entered into between members of our Group and our connected persons constituted one-off connected transactions or will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

In addition, the transactions contemplated under the Contractual Arrangements, through which we obtained effective control over the financial and operational policies of the Zhuhai Readboy and become entitled to all the economic benefits derived from their operations, constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon [REDACTED] and the nature of their respective relationships with our Group:

<u>Name of our connected persons</u>	<u>Connectedness</u>
Mr. Qin	one of our Controlling Shareholders and our executive Director
Mr. Chen	one of our Controlling Shareholders and our non-executive Director
Mr. Shen Jianfei	our non-executive Director
Hui Tong	Hui Tong is owned as to 80% by Mr. Qin and the remaining 20% by Ms. Liu Zhilan
Zhuhai Dreamcatcher Network Technology Co., Ltd* (珠海市追夢網絡科技有限公司) (“Zhuhai Dreamcatcher”)	Zhuhai Dreamcatcher is owned as to 51.02% by Mr. Chen and the remaining 48.98% by Mr. Qin
Jianzhi (Hangzhou) Equity Investment Fund Partnership (Limited Partnership)* (劍智(杭州) 股權投資基金合夥企業)(有限合夥) (“Jianzhi (Hangzhou) Equity Fund”)	Jianzhi (Hangzhou) Equity Fund is owned as to 80% by Mr. Shen Jianfei and the remaining 20% by Mr. Chen

* For identification purposes only

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ONE-OFF CONNECTED TRANSACTION

Property Lease Agreement

On December 31, 2017, Zhuhai Dreamcatcher, as lessor entered into a property lease agreement with Zhuhai Readboy as lessee (the “**Property Lease Agreement**”), pursuant to which Zhuhai Dreamcatcher agreed to lease a property situated at Room 603, 6/F, Building 1, 39 Keji 6th Road, Tangjiawan Town, High-tech Zone, Zhuhai to Zhuhai Readboy for office use for a term commencing from January 1, 2018 to December 31, 2025 at an annual rental of RMB134,400 for the first two years and a 4% increase each year from the third year onwards.

The Directors are of the view that the Property Lease Agreement was entered into in the ordinary and usual course of the Group’s business on normal commercial terms and that the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Implication under the Listing Rules

In accordance with HKFRS 16 “Leases” (which became effective from January 1, 2019), the Property Lease Agreement is recognized as right-of-use assets on our balance sheet. Therefore, the entering into of the Property Lease Agreement will be regarded as a one-off connected transaction, rather than continuing connected transaction. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.

2021 Property Lease Agreements

On November 25, 2021, Jianzhi (Hangzhou) Equity Fund, as lessor entered into a property lease agreement with Readboy New Media Hangzhou as lessee, pursuant to which Jianzhi (Hangzhou) Equity Fund agreed to lease a property situated at Room 1001, Building 6, Chuangzhilvgu Development Center, No. 788 Hongpu Road, Hangzhou for office use for a term commencing from November 25, 2021 to December 31, 2023 at a daily rental of RMB3.16 per square meter (equivalent to a monthly rental of RMB44,651.35 for December 2021) in 2021 with a 5% increment each year from January 1, 2022 onwards.

On the same day, Jianzhi (Hangzhou) Equity Fund, as lessor entered into a property lease agreement with Readboy New Media Hangzhou as lessee, pursuant to which Jianzhi (Hangzhou) Equity Fund agreed to lease a property situated at Room 1004, Building 6, Chuangzhilvgu Development Center, No. 788 Hongpu Road, Hangzhou for office use for a term commencing from November 25, 2021 to December 31, 2023 at a daily rental of RMB3.16 per square meter (equivalent to a monthly rental of RMB53,021.83 for December 2021) in 2021 with a 5% increment each year from January 1, 2022 onwards (collectively, the “**2021 Property Lease Agreements**”)

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The Directors are of the view that the 2021 Property Lease Agreements were entered into in the ordinary and usual course of the Group’s business on normal commercial terms and that the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Implication under the Listing Rules

In accordance with HKFRS 16 “Leases” (which became effective from January 1, 2019), the 2021 Property Lease Agreements will be recognized as right-of-use assets on our balance sheet. Therefore, the entering into of the 2021 Property Lease Agreements will be regarded as one-off connected transactions, rather than continuing connected transactions. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Property Rental Agreement

On December 31, 2020, Readboy Technology, as lessor entered into a property rental agreement with Hui Tong as lessee (the “**Property Rental Agreement**”), pursuant to which Readboy Technology agreed to lease a property situated at Room 608, Block B, No. 38 Changyi Road, Wuguishan, Zhongshan City, Guangdong Province, PRC to Hui Tong for office use for a term commencing from January 1, 2021 to December 31, 2023 at an annual rental of RMB2,640. It is expected that Hui Tong will continue to rent this property from Readboy Technology upon completion of the [REDACTED], which will constitute continuing connected transaction under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios of the transaction contemplated under the Property Rental Agreement are less than 0.1%, the transaction contemplated thereunder constitute *de minimis* continuing connected transaction, which is exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Directors currently expect that all the relevant percentage ratios for the three years ending December 31, 2023 will be less than 0.1% on an annual basis, therefore, such transaction is *de minimis* transaction and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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NONEXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Nature of Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual cap for the financial year ending December 31,		
			2021	2022	2023
			<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Nonexempt continuing connected transactions					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, circular, shareholders’ approval, annual cap and the limit of the term of agreements	N/A	N/A	N/A

Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in digital educational resources production and sales business in the PRC, we do not directly or indirectly, hold any equity interest in Zhuhai Readboy, which holds relevant licenses and permits to operate such business. As a result, our WFOE has entered into the Contractual Arrangements with Zhuhai Readboy and the Registered Shareholders. The Contractual Arrangements enable us to, among others, (i) receive substantially all of the economic benefits from Zhuhai Readboy in consideration for the services provided by the WFOE to Zhuhai Readboy; (ii) exercise effective control over Zhuhai Readboy; and (iii) hold an exclusive option to purchase all or part of the equity interests in Zhuhai Readboy when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of a series of agreements, including (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement, (iii) Equity Pledge Agreement, (iv) Shareholders’ Powers of Attorneys, (v) Individual Shareholder Spouse Undertakings and (vi) Shareholders’ Rights Entrusted Agreement, each of which is an integral part of the Contractual Arrangements. For detailed terms of these agreements, please refer to the section headed “Contractual Arrangements” in this document.

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Listing Rules implications

Mr. Qin will be both an executive Director and a Controlling Shareholder upon [REDACTED], and he is a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Mr. Shen Jianfei will become a non-executive Director upon [REDACTED]. Accordingly, Mr. Shen Jianfei is a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED].

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

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

WAIVER APPLICATIONS

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

- (i) *No change without independent non-executive Directors’ approval.* Except as described below, no changes to the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

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- (ii) *No change without independent Shareholders’ approval.* Save as described in paragraph (iv) below, no changes to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once the independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (v) below) will however continue to be applicable.
- (iii) *Economic benefits flexibility.* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Zhuhai Readboy through: (a) our Group’s option to the extent permitted under PRC laws and regulations, to acquire, all or part of the entire equity interests and/or assets in Zhuhai Readboy at the lowest possible amount permissible under the applicable PRC laws and regulations; (b) the business structure under which the net profit generated by the Zhuhai Readboy is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE under the Exclusive Business Cooperation Agreement; and (c) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of Zhuhai Readboy.
- (iv) *Renewal and reproduction.* The framework of the Contractual Arrangements 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 that our Group may wish to establish, without obtaining the approval of Shareholders, on substantially the terms described under the section headed “Contractual Arrangements”. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that our Group may establish upon renewal and/or reproduction of the Contractual Arrangements will 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.
- (v) *Ongoing reporting and approvals.* Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.

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- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Group’s annual report and accounts for the relevant year that (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (b) no dividends or other distributions have been made by Zhuhai Readboy to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group; and (c) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and Zhuhai Readboy during the relevant financial period under paragraph (iv) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our 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 our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made Zhuhai Readboy to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group.
- For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, Zhuhai Readboy will be treated as our Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Zhuhai Readboy and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Zhuhai Readboy will undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, Zhuhai Readboy will provide our Group’s management and our Company’s auditor with full access to its relevant records for the purpose of our Company’s auditor’s review of the continuing connected transactions.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders’ approval in respect of the transactions contemplated under any Zhuhai Readboy Agreement (as defined above) pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions contemplated under any Zhuhai Readboy Agreement under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange. We will

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comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions. If there is any change to the terms of the Contractual Arrangements or the Group enter into any new agreement with any of its connected persons, the Group must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it apply for and obtain a separate waiver from the Stock Exchange.

New Transactions Between Zhuhai Readboy and Our Company

Given that the financial results of Zhuhai Readboy will be consolidated into our financial results and the relationship between Zhuhai Readboy and our Company under the Contractual Arrangements and those under the Zhuhai Readboy Agreements will also be exempted from the “continuing connected transactions” provisions of the Listing Rules.

Directors’ Confirmation

Notwithstanding that Zhuhai Readboy Agreement(s) (which are (a) solely restricted to matters that are contemplated under the Contractual Arrangements; and (b) narrowly tailored to achieve our Company’s business purposes and minimizing the potential for conflict with the relevant PRC laws and regulations) technically constitute continuing connected transaction under Chapter 14A of the Listing Rules, and our Directors consider that, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholder’s approval requirements.

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

Our Directors also believe that our Group’s structure, which allows the financial results of Zhuhai Readboy to be fully consolidated into the financial statements of our Company, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that strict compliance with the requirements under Chapter 14A of the Listing Rules in respect of these continuing connected transactions would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon our Company.

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Our Directors are of the view that with respect to the term of the relevant agreements under the Contractual Arrangements which is of a duration over three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of Zhuhai Readboy can be effectively and fully controlled by WFOE, (ii) WFOE can obtain the entire economic benefits derived from the operation of Zhuhai Readboy, and (iii) any possible leakages of assets and values of Zhuhai Readboy can be prevented both on an uninterrupted basis.

The Joint Sponsors' View

Based on the information provided by the Company, the Joint Sponsors concur with the views of the Directors that as of the date of this document, the Contractual Arrangements and the transactions contemplated thereunder described above, and for which waivers have been sought, are fundamental to the legal structure and business operations of our Group, have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms (or better) and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Joint Sponsors have no reason to believe that the Directors' view that it is normal business practice for the Contractual Arrangements to have a duration over three years is unreasonable.

In addition, with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) policies of the PRC Operating Entity can be effectively controlled by our WFOE, (ii) our WFOE can obtain the economic benefits derived from our PRC Operating Entity, and (iii) any possible leakages of assets and values of our PRC Operating Entity can be prevented on an uninterrupted basis.