
CONNECTED TRANSACTIONS

Upon [REDACTED], the transactions between members of our Group and our connected persons will constitute connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons, among others, will be our connected persons upon [REDACTED]:

- Mr. Yang Wenlong, a substantial Shareholder of our Company, hence our connected person by virtue of Rule 14A.07(1) of the Listing Rules; and
- Renhe, a limited company incorporated in the PRC, with Mr. Yang Wenlong controlling the exercise of 30% or more of its voting power, hence an associate of Mr. Yang Wenlong and our connected person by virtue of Rule 14A.07(4) of the Listing Rules.

Accordingly, the following transactions between our Group and our connected persons, which will continue after the [REDACTED], will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

1. Trademark Licence Framework Agreement

Principal terms

We entered into a trademark licence framework agreement (the “**Trademark Licence Framework Agreement**”) with Renhe on [●], 2022, pursuant to which Renhe has agreed to grant our Group a licence, on a non-exclusive and royalty-free basis, to use certain trademarks (“**Licensed Trademarks**”) registered by Renhe in the PRC for product package, presentation and marketing. The initial term of the Trademark Licence Framework Agreement will commence on the [REDACTED] and end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Trademark Licence Framework Agreement for another term of three years.

We have been using the Licensed Trademarks in our daily business and have received market recognition. We believe that to continue to use such Licensed Trademarks after completion of the [REDACTED] is in the best interest of our Group and the shareholders as a whole.

Our Directors currently expect that all the relevant percentage ratios for transactions under the Trademark Licence Framework Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are de minimis transactions and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Listing Rules implications

As the license to use the Licensed Trademarks is granted to us on a royalty-free basis, the transactions under the Trademark Licensing Framework Agreement constitute *de minimis* transactions and are fully exempt from the annual reporting, announcement, independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

2. Products Procurement Framework Agreement – Procurement of Products

We entered into a products procurement framework agreement with Renhe on [●], 2022 (the “**Products Procurement Framework Agreement**”), under which, among other things, Renhe has agreed to, and will procure its associates to, provide self-branded OTC drugs, prescription drugs, and other healthcare products produced by Renhe and its associates (“**Relevant Products**”) to our Group from time to time (“**Procurement of Products**”). The initial term of the Products Procurement Framework Agreement will commence on the [REDACTED] and end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Products Procurement Framework Agreement for another term of three years.

The procurement amount to be charged by Renhe and its associates for the Relevant Products shall be negotiated at arm’s length, with reference to prevailing market prices, on terms no less favorable than those offered by Renhe and its associates to Independent Third Parties, and on terms no less favourable than those offered by Independent Third Parties to our Group.

Renhe and its associates own a number of well-known brands of drugs and healthcare products with high levels of market recognition. The core business of Renhe and its associates (research, development, and manufacture of pharmaceuticals) and of our Group (online and offline retail of pharmaceuticals) are inextricably linked and complementary, and the Procurement of Product between Renhe and its associates and our Group has been, and is expected to remain, a mutually beneficial cooperation arrangement, leveraging the reputable brands and market positions of Renhe and its associates and the well-developed online distribution channels and pharmacy network of our Group. Based on our previous experience in business dealings with Renhe and its associates, we believe that Renhe and its associates are capable of effectively satisfying our demands for the Relevant Products in a stable and reliable manner, which is in the interests of our Group and the shareholders as a whole.

Our Directors currently expect that all the relevant percentage ratios for transactions in relation to Procurement of Products under the Products Procurement Framework Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are de minimis transactions and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. Products Procurement Framework Agreement – Trademark License for Renhe-branded Products procured by the Group

Parties: Renhe (as supplier); and

Our Group (as purchaser)

Principal terms:

With a view to better catering for diversified need of customers and users based on their purchase patterns through our Group’s retail channels, we may be in demand, from time to time, for certain self-branded products of Renhe with customized specifications; while Renhe and its associates may not have production capacity to develop and manufacture such customized products. As such, we agreed with Renhe, among other things, under the abovementioned Products Procurement Framework Agreement, that where Renhe and its associates are in lack of production capacity to produce such customized products, Renhe will grant our Group a licence, on a non-exclusive basis, to use certain trademarks registered by Renhe in the PRC (“**Trademark License**”) under separate trademark license agreements, which authorizes and enables us to procure its self-branded products from independent third-party manufacturers. The number of products to be produced by independent third-party manufacturers under the Trademark License, together with product specifications, and product package is subject to Renhe’s prior approval.

CONNECTED TRANSACTIONS

The initial term of the Products Procurement Framework Agreement will commence on the [REDACTED] and end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Products Procurement Framework Agreement for another term of three years.

Reasons for the transaction:

Renhe and its associates own a number of well-known brands of drugs and healthcare products with high levels of market recognition. The core business of Renhe and its associates (research, development, and manufacture of pharmaceuticals) and of our Group (online and offline retail of pharmaceuticals) are inextricably linked and complementary, and the product procurement arrangement between Renhe and its associates and our Group has been, and is expected to remain, a mutually beneficial cooperation arrangement, leveraging the reputable brands and market positions of Renhe and its associates and the well-developed online distribution channels and pharmacy network of our Group.

Our group believe the above arrangements in connection with the Trademark License as contemplated under the Products Procurement Framework Agreement will enable our Company to further expand our product offerings in response to ever-changing user demands, as well as to maintain sufficient supply in Renhe’s self-branded products. Further, we have a long-term and stable business relationship with Renhe and its associates. Renhe and its associates are familiar with our business process and needs, quality standards and operational requirements, and are able to supply the Trademark License needed by us on a constant basis. Our Directors believe that maintaining a stable and quality business relationship with Renhe and its associates will facilitate our current and future business operations.

Pricing policy:

The royalty fee payable by our Group to Renhe in relation to the Trademark License is charged based on the retail prices (before tax) of the Renhe-branded products procured by us from independent third-party manufacturers using the Trademark License, multiply by predetermined royalty rates as prescribed under the Products Procurement Framework Agreement. The royalty rate for Trademark License is determined based on arm’s length discussion between our Group and Renhe, with reference to the market average royalty rates, no less favourable than the rates offered by Renhe to Independent Third Parties or those offered by Independent Third Parties to our Group. According to the Frost & Sullivan, the royalty rate is in line with the industry norm.

Historical amounts:

The historical transaction amounts of royalty fees paid by our Group to Renhe for the Trademark License for the year ended December 31, 2018, 2019, 2020, 2021 and three months ended March 31, 2022 are set out as below:

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trademark license royalty fees	3,146	7,188	8,954	5,178	418

CONNECTED TRANSACTIONS

Annual caps:

The following table sets forth the proposed annual caps the Trademark License contemplated under the Products Procurement Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trademark license royalty fees	4,000	4,000	4,000

The Group’s costs of revenue for the self-branded products of Renhe procured from independent third-party manufacturers in relation to the Trademark License as contemplated under the Products Procurement Framework Agreement for the years ended December 31, 2018, 2019, 2020, 2021 and the three months ended March 31, 2022 was RMB79.5 million, RMB184.9 million, RMB213.5 million, RMB133.9 million, and RMB11.6 million, respectively. Our sales from the self-branded products of Renhe for the years ended December 31, 2018, 2019, 2020, 2021 and the three months ended March 31, 2022 was RMB143.7 million, RMB337.1 million, RMB396.3 million, RMB189.8 million, and RMB15.2 million, respectively.

Basis of caps:

When estimating the annual caps, our Directors have taken into consideration the following factors:

- *Trademark license:*
 - (i) the growth rate of the historical transaction amounts for the years ended December 31, 2018, 2019 and 2020, which was 128% from 2018 to 2019 and 25% from 2019 to 2020. The growth of historical transaction amount was mainly due to the business expansion of our Group; the historical transaction amounts for the years ended December 31, 2020 and 2021 decreased by 42% mainly because the Company was able to procure adequate OTC drugs, prescription drugs, and other healthcare products from independent third-party suppliers;
 - (ii) the existing royalty fees and our increasing sales of the self-branded drugs and other healthcare products of Renhe in supporting our business expansion plan; and
 - (iii) other factors including but not limited to the expected increase in unit price of the drugs and other healthcare products as a result of the increase in raw materials and other costs and expenses as well as market trends.

Listing Rules implications:

In respect of the Trademark License transactions contemplated under the Products Procurement Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, such transaction will, upon [REDACTED], constitute continuing connected transaction of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

CONNECTED TRANSACTIONS

4. Contractual Arrangements

Background:

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by Mr. Yang Wenlong and Dingdang No.1, Dingdang No.2, Dingdang No.3, and Dingdang No.4. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

See the section headed “Contractual Arrangements” in this document for further detailed terms of the Contractual Arrangements.

Listing Rules implications:

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED] as Mr. Yang Wenlong, a party to the Contractual Arrangements, is our connected person.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is being 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 if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms or better, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the continuing connected transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies, and are fair and reasonable in the interests of the Shareholders as a whole;
- when considering procurement amount or royalty fees to be provided by the Group to the above connected persons, the Group will constantly research into prevailing market conditions and practices to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and no less favourable than those offered to Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve of such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreements to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

CONNECTED TRANSACTIONS

WAIVERS FROM THE STOCK EXCHANGE

In respect of the continuing connected transaction as described above under the Products Procurement Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2024 is expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the continuing connected transaction under the Products Procurement Framework Agreement is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

As these non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange [has granted] us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules in case of the Products Procurement Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

The Contractual Arrangements

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted] to the Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transaction 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 Share are listed on the Stock Exchange, subject, however, to the following conditions:

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

No change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of our 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 independent Shareholders' approval. 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 our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

CONNECTED TRANSACTIONS

(c) Economic benefit 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 option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted and applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Consolidated Affiliated Entities.

(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 the 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 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 our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approval

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

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual reports for the relevant years that (i) the transactions carried out during such years 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 to our Shareholders, and in the interests of our Company and our Shareholders as a whole so far as our Group is concerned.

CONNECTED TRANSACTIONS

- Our Company's auditor will carry out review procedures annually on the transactions, 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 our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditor with full access to their relevant records for the purpose of our Company's auditor's review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements, and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but their directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will 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.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) of our Company are of the view that (i) the Products Procurement Framework Agreement has been and will be entered into during our ordinary and usual course of business of the Group on normal commercial terms or better, and is fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed caps under the Products Procurement Framework Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that, with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOE; (ii) the WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, (ii) obtained necessary representations and confirmations from the Company and the Directors and (iii) participated in the due diligence and discussion with the management of the Company and the PRC Legal Advisors. Based on the above, the Joint Sponsors are of the view that (i) the Products Procurement Framework Agreement, the terms of the relevant agreements underlying the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole and (ii) the proposed caps under the Products Procurement Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Joint Sponsors are also of the view that, with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOE; (ii) the WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.