
CONNECTED TRANSACTIONS

We have entered into certain agreements with parties that will be our connected persons. Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

We will continue to be subject to and regulated by the rules of the SEC and Nasdaq and other applicable U.S. laws and regulations so long as the ADSs are publicly traded on the Nasdaq. The requirements of the Listing Rules relating to connected transactions are different in many aspects from comparable rules in the U.S. In particular, the definition of a connected person under the Listing Rules is different from the definition of related parties under the SEC and Nasdaq rules. Therefore, a connected transaction as defined under the Listing Rules may or may not constitute a related party transaction under applicable SEC and Nasdaq rules, and vice versa.

Details of the continuing connected transactions of the Group following the Listing are set out below.

SUMMARY OF OUR CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name of Connected Person	Connected Relationship
Kingsoft Corporation	Kingsoft Corporation is our controlling shareholder within the meaning under the Listing Rules
Xiaomi	Xiaomi is a substantial shareholder of our Company as of the Latest Practicable Date Mr. Lei Jun, our non-executive Director and Chairman, is the controlling shareholder of Xiaomi. Xiaomi is therefore a connected person of our Company

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

No. Transactions	Applicable Listing Rules	Waiver(s) sought	Proposed annual cap for the year ending December 31,		
			2022	2023	2024
<i>(RMB in millions)</i>					
Fully-exempt continuing connected transactions					
1. Intellectual Property Licenses	14A.52, 14A.76(1)	N/A	N/A	N/A	N/A

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No. Transactions	Applicable Listing Rules	Waiver(s) sought	Proposed annual cap for the year ending December 31,				
			2022	2023	2024		
<i>(RMB in millions)</i>							
Partially-exempt continuing connected transactions							
2.	Framework Agreement with Kingsoft Corporation	14A.35, 14A.76(2) and 14A.105	Waiver from strict compliance with announcement requirement	<i>Provision of services to Kingsoft Group</i>	213.1	265.3	330.5
				<i>Services provided by Kingsoft Group</i>	15.3	16.1	16.4
Non-exempt continuing connected transactions							
3.	Framework Agreement with Xiaomi	14A.35, 14A.36, and 14A.105	Waiver from announcement, and independent shareholders' approval, circular	<i>Provision of services to Xiaomi Group</i>	1,111.8	1,343.0	1,622.7
				<i>Products provided by Xiaomi Group</i>	101.3	401.3	601.3
				<i>Finance Lease provided by Xiaomi Group</i>	1,400	1,400	1,400
4.	Contractual Arrangements	14A.35, 14A.36, 14A.52, 14A.53 and 14A.105	Waiver from announcement, independent shareholders' approval, circular, annual cap, and limiting the term to three years		N/A	N/A	N/A

A. Fully-exempt Continuing Connected Transactions

Intellectual Property Licenses

Background and reason for the transactions

On November 9, 2012, Kingsoft Corporation, as the licensor, and we, as the licensee, entered into a license agreement in relation to the licensing of certain trademarks and patents, which was later supplemented on January 28, 2013 and September 13, 2017 (collectively, the “**2012 License Agreement**”). On December 18, 2019, Kingsoft Corporation, as the licensor, and we, as the licensee, entered into a trademark license agreement (the “**Trademark License Agreement**”) and a patent license agreement (the “**Patent License Agreement**,” and together with the Trademark License Agreement, the “**2019 License Agreements**”). The 2019 License Agreements superseded and replaced the 2012 License Agreement in its entirety.

Pursuant to the Trademark License Agreement, Kingsoft Corporation granted us the license of certain trademarks (the “**Licensed Trademarks**”), including “Kingsoft Cloud” and “金山雲,” in specified areas. The license remains valid until expiry of the trademarks or until certain conditions as agreed and stipulated in the Trademark License Agreement are no longer

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satisfied, whichever is earlier. Pursuant to the Trademark License Agreement, the total royalties of license implementation consist of (i) a one-off payment of RMB649,028.14 and (ii) certain customary management and maintenance fees of the Licensed Trademarks on an ongoing basis during the validity period of the Trademark License Agreement. As of the Latest Practicable Date, the payment of RMB649,028.14 to Kingsoft Group under the Trademark License Agreement has been settled in full. We will pay the customary management and maintenance fees of the Licensed Trademarks pursuant to the Trademark License Agreement from time to time.

The customary management and maintenance fees for the Licensed Trademarks under the Trademark License Agreement shall be determined on an arm's-length basis between the Group and Kingsoft Group with reference to, among others, the application fee, handling fee, registration fee, agency fees and government levies (if any) relating to the Licensed Trademarks to be calculated on a cost-plus basis, together with any value-added tax incurred, to ensure that such fees are on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole. The amount of management and maintenance fees payable to Kingsoft Corporation as of December 31, 2019, 2020 and 2021 and June 30, 2022 are RMB649,028.14, RMB649,028.14, nil, and nil, respectively. The Company has made such payments in full as of the Latest Practicable Date.

Pursuant to the Patent License Agreement, Kingsoft Corporation granted us the license of certain patents in specified areas (the "**Licensed Patents**," together with the Licensed Trademarks, the "**Licensed IPs**"). The license remains valid until expiry of the patents or until certain conditions as agreed and stipulated in the Patent License Agreement are no longer satisfied, whichever is earlier. Pursuant to the Patent License Agreement, the total royalties of license implementation are RMB4,000,000, which was fully settled among the parties therein.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. We have been using the Licensed IPs under the 2019 License Agreements over the years, and we intend to continue to use, after the Listing, the Licensed IPs in such connection. Our Directors believe that the license term for the Licensed IPs can ensure the stability of our operations and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term stable business development and continuity of our market recognition. It is normal business practice for IP license agreement of similar type to be entered into for such duration and it is in the interests of the Company and its Shareholders as a whole. Having considered the terms of the 2019 License Agreements, the Joint Sponsors have no reasons to believe that the Directors' view that it is normal business practice to have such agreements with a term of over three years unreasonable.

CONNECTED TRANSACTIONS

Listing Rules implications

Given that the ongoing management and maintenance fees of the Licensed IPs under the 2019 License Agreements are not expected to be more than 0.1% of the percentage ratios, the transactions contemplated under the 2019 License Agreements will be within the de minimis threshold provided under Rule 14A.76(1) of the Listing Rules, and the 2019 License Agreements will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. Partially-exempt Continuing Connected Transactions

The transactions set out below were entered into in the ordinary and usual course of business and on normal commercial terms where, as the Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be not less than 0.1% but less than 5% on an annual basis. Accordingly, such transactions will be subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Framework Agreement with Kingsoft Corporation

On December 20, 2022, in order to regulate the ongoing transactions between the Group and Kingsoft Group, the Company entered into a framework agreement with Kingsoft Corporation (the "**Kingsoft Framework Agreement**"), pursuant to which, (i) we will provide cloud services to the Kingsoft Group, including but not limited to cloud storage, cloud computing services and comprehensive cloud solutions, and (ii) Kingsoft Group will provide the comprehensive property management and administrative services to us, including but not limited to property management services and other related administrative support for our office space.

The initial term of the Kingsoft Framework Agreement will commence from the Listing Date and expire on December 31, 2024. The Kingsoft Framework Agreement will be subject to negotiation at renewal with mutual consent and in compliance with the requirements of the Listing Rules.

Subject to the terms of the Kingsoft Framework Agreement, the Group will enter into specific agreements with Kingsoft Group to set out specific terms and conditions when necessary according to the principles and scope provided for under the Kingsoft Framework Agreement.

CONNECTED TRANSACTIONS

Reasons for and benefits of the transactions

We first entered into a framework agreement with Kingsoft Corporation for contemplating the above-mentioned transactions on December 30, 2014, which was renewed on December 31, 2017. The provision of cloud services to Kingsoft Group, in particular the public cloud services with a high level of customer stickiness in nature and growth potential, will provide sources of recurring revenues to the Group as Kingsoft Group's business expands; and the provision of comprehensive property management and administrative services by Kingsoft Group will better leverage the mature infrastructure and services coverage already established by Kingsoft Group to provide a more stable and undisrupted office environment to our Group with visible costs that are in line with prevailing market prices for an extended period of time. The Company considers that it is beneficial to enter into the Kingsoft Framework Agreement to regulate the continuing connected transactions contemplated thereunder as such transactions will continue to facilitate the operation and growth of the Group's business as a whole.

Pricing basis

The service fees for the provision of cloud services under the Kingsoft Framework Agreement shall be determined on an arm's-length basis between the Group and Kingsoft Group with reference to, among others, the service fees for the provision of cloud services to our other customers and the prevailing market prices of such cloud services.

To ensure that the comprehensive property management and administrative service fees payable by our Group to Kingsoft Corporation and/or its associates under the Kingsoft Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, such service fees will be determined on an arm's-length basis with reference to the prevailing market prices of similar property management and other administrative support services.

Historical amount, annual cap and basis for annual cap

The table below sets out the historical amounts for the three years ended December 31, 2021 and the six months ended June 30, 2022:

	Historical transaction amount			for the six
	for the year ended December 31,			months ended
	2019	2020	2021	June 30,
				2022
	<i>(RMB'000)</i>			
<i>Provision of services to Kingsoft Group</i>				
Provision of cloud services to Kingsoft Group	109,177	119,011	157,070	98,267

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	Historical transaction amount			for the six
				months ended
	for the year ended December 31,			June 30,
	2019	2020	2021	2022
	<i>(RMB'000)</i>			
<i>Services provided by</i>				
<i>Kingsoft Group</i>				
Provision of				
comprehensive				
property management				
and administrative				
services from Kingsoft				
Group	12,752	13,801	12,027	6,530

The Company proposes to set up the annual caps for the three years ending December 31, 2024 as follows:

	Proposed annual cap for the		
	year ending December 31,		
	2022	2023	2024
	<i>(RMB in millions)</i>		
<i>Provision of services to</i>			
<i>Kingsoft Group</i>			
Provision of cloud services to			
Kingsoft Group	213.1	265.3	330.5
<i>Services provided by</i>			
<i>Kingsoft Group</i>			
Provision of comprehensive			
property management and			
administrative services from			
Kingsoft Group	15.3	16.1	16.4

The annual caps for the fees payable by Kingsoft Group in respect of the provision of cloud services by our Group for the three years ending December 31, 2024 are determined with reference to, among others, (i) the steady growth and increasing growth rate of the historical transaction amounts for the three years ended December 31, 2021 and the six months ended June 30, 2022 with the year-over-year growth rate of 9% and 32% for 2020 and 2021, respectively, and the growth rate of 45% for the six months ended June 30, 2022 as compared to the same period in 2021 (being RMB67,817,000); (ii) the expected growth of the overall office software and services, online games and other business market as well as the increasing demand for the office software and services business segment of Kingsoft Group, as a result of the expansion of the Kingsoft Group's business, in particular the potential rapid growth of WPS Office of Kingsoft Group, from

CONNECTED TRANSACTIONS

which segment we generated most revenue of our cloud services we provided to Kingsoft Group during the Track Record Period; (iii) the continuous efforts of Kingsoft Group to promote cloud migration and enhance its products and services for cloud office scenarios, including the continuous cloud adoption of WPS Office, which will further increase its demand for our cloud services; (iv) the enterprise digital services provided by Camelot Group to Kingsoft Group after we acquired Camelot in September 2021, which is expected to continue to grow in the next three years ending December 2024; and (v) the fair market rates for provision of similar services. Considering the above-mentioned factors, the year-over-year increase in the amount of the fees payable by Kingsoft Group in respect of the provision of cloud services by our Group is estimated to be approximately 36% for 2022, 25% for 2023 and 25% for 2024.

The annual caps for the fees payable to Kingsoft Group in respect of the provision of comprehensive property management and administrative services by Kingsoft Group for the three years ending December 31, 2024 are determined with reference to, among others, (i) the historical transaction amounts for the three years ended December 31, 2021; (ii) the current and expected future office space demand of our Group in light of our expected business development and increase in the number of employees in 2022, which requires more property management services and administrative support; and (iii) the fair market rates for provision of similar services.

Listing Rules Implications

The transactions contemplated under the Kingsoft Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Kingsoft Framework Agreement, provided that the total value of transactions under the Kingsoft Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024 will not exceed the relevant proposed annual caps set forth above.

CONNECTED TRANSACTIONS

C. Non-exempt Continuing Connected Transactions

1. *Framework Agreement with Xiaomi*

On December 20, 2022, in order to regulate the ongoing transactions between the Group and Xiaomi Group, the Company entered into a framework agreement with Xiaomi (the “**Xiaomi Framework Agreement**”), pursuant to which, (i) we will provide cloud services to Xiaomi Group, including but not limited to cloud storage and cloud computing services and comprehensive cloud solutions, (ii) we will purchase customized terminal devices and software from Xiaomi Group, and (iii) we will continue to obtain financing from Xiaomi Group by way of sale-and-leaseback arrangement.

The initial term of the Xiaomi Framework Agreement will commence from the Listing Date and expire on December 31, 2024. The Xiaomi Framework Agreement will be subject to negotiation at renewal with mutual consent and in compliance with the requirements of the Listing Rules.

Subject to the terms of the Xiaomi Framework Agreement, the Group will enter into specific agreements with Xiaomi Group to set out specific terms and conditions when necessary according to the principles and scope provided for under the Xiaomi Framework Agreement.

Reasons for and benefits of the transactions

We have been in business cooperation with Xiaomi Group since our establishment. The provision of cloud services to Xiaomi Group, in particular the public cloud services with a high level of customer stickiness in nature and growth potential, will provide sources of recurring revenues to the Group as Xiaomi Group’s business expands; and the purchase of customized terminal devices and software from Xiaomi Group will ensure a steady supply of such products in order to meet our customers’ demand within the required timeframe. Additionally, the obtaining of financial support from Xiaomi Group will strengthen our liquidity position, diversify our funding sources in view of the Group’s rapid business growth and increasing expenditure as well as address our increasing capital need in connection with our acquisitions or other strategic transactions.

In June, September and November 2021, we entered into a series of finance lease agreements (the “**Finance Lease Agreements**”) with two group entities of Xiaomi (the “**Xiaomi Financing Entities**”) under which we sell certain of our assets (such as servers), to the Xiaomi Financing Entities in order to obtain financing, lease back the sold assets for a term of three (3) years (the “**Lease Term**”) and pay rent to the relevant Xiaomi Financing Entities until expiry of the Lease Term (the “**Finance Leases**”). None of these assets sold to Xiaomi Financing Entities which are being leased back were initially acquired from Xiaomi Group. The purchase price of the leased assets payable by the Xiaomi Financing Entities amounted to RMB750 million, where we shall make lease payment to the Xiaomi Financing Entities at a fixed annual interest rate of 4.36% under the Finance Lease Agreements. During the term of the Finance Leases, the legal title of

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the leased assets shall be vested in the respective Xiaomi Financing Entities. Upon expiry of the Lease Term, we will repurchase the leased assets with a transfer of the corresponding legal title from the respective Xiaomi Financing Entities at a buyback price of RMB100. We expect to continue the Finance Leases arrangement after Listing which allows us to obtain the financial resources for working capital purposes from Xiaomi Group as well as the assets required for our daily business operations.

The Company considers that it is beneficial to enter into the Xiaomi Framework Agreement to regulate the continuing connected transactions contemplated thereunder as such transactions will continue to facilitate the operation and growth of the Group's business as a whole.

Pricing basis

The service fees for the provision of cloud services under the Xiaomi Framework Agreement shall be determined on an arm's-length basis between the Group and Xiaomi Group with reference to, among others, the service fees for the provision of cloud services to our other customers and the prevailing market prices of such cloud services.

To ensure that the purchase prices of the terminal devices and software from Xiaomi and/or its associates under the Xiaomi Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, the terms of the aforesaid transactions have been negotiated on an arm's-length basis, provided that the purchase prices of the terminal devices and software will be determined with reference to, among others, (i) price of mobile terminal devices as quoted on Xiaomi's official website, (ii) prevailing fee rates for licensing customized software products and applications and (iii) the comparison of quotations from Xiaomi Group and those submitted by third-party suppliers providing similar terminal devices and software.

The purchase price of the leased assets and the lease interest payment under the sale-and-leaseback arrangement pursuant to the Xiaomi Framework Agreement shall be determined after arm's-length negotiations between the Group and Xiaomi Group with reference to, among others, the nature and the original cost of the leased assets and the benchmark interest rates for RMB-denominated loans published by the People's Bank of China on a regular basis or the interest rates charged or quoted by other major finance institutions for providing services of similar nature.

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Historical amount, annual cap and basis for annual cap

The table below sets out the historical amounts for the three years ended December 31, 2021 and the six months ended June 30, 2022:

	Historical transaction amount			for the six
	for the year ended December 31,			months ended
	2019	2020	2021	June 30,
	<i>(RMB'000)</i>			2022
<i>Provision of services to</i>				
<i>Xiaomi Group</i>				
Provision of cloud services to Xiaomi Group	570,551	655,247	772,454	465,355
<i>Products provided by</i>				
<i>Xiaomi Group</i>				
Purchase of customized terminal devices and software from Xiaomi Group	2,707	2,177	1,349	58
	as at December 31,			as at
	2019	2020	2021	June 30,
				2022
<i>Finance Leases provided by</i>				
<i>Xiaomi Group⁽¹⁾</i>				
Total balance of Finance Leases and interests	Nil	Nil	709,088	596,084

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The Company proposes to set up the annual caps for the three years ending December 31, 2024 as follows:

	Proposed annual cap for the year ending December 31,		
	2022	2023	2024
	<i>(RMB in millions)</i>		
<i>Provision of services to</i>			
<i>Xiaomi Group</i>			
Provision of cloud services to			
Xiaomi Group	1,111.8	1,343.0	1,622.7
<i>Products provided by Xiaomi</i>			
<i>Group</i>			
Purchase of customized terminal			
devices and software from			
Xiaomi Group	101.3	401.3	601.3
<i>Finance Leases provided by</i>			
<i>Xiaomi Group⁽¹⁾</i>			
Maximum outstanding balance			
of Finance Leases and			
interests	1,400.0	1,400.0	1,400.0

Note:

- (1) For the avoidance of doubt, the Finance Leases are accounted for as loans from the accounting perspective.

The annual caps for the fees payable by Xiaomi Group in respect of the provision of cloud services by our Group for the three years ending December 31, 2024 are determined with reference to, among others, (i) the steady growth of the historical transaction amounts for the three years ended December 31, 2021 and the six months ended June 30, 2022 with the year-over-year growth rate of 15% and 18% for 2020 and 2021, respectively, and the growth rate of 21% for the six months ended June 30, 2022 as compared to the same period in 2021 (being RMB385,207,000); (ii) the expected growth of the overall internet services market as well as the increasing demand for cloud computing and storage from Xiaomi Group to accommodate its ongoing business and operational needs; (iii) the expected increase in demand for cloud services as a result of the expansion of the Xiaomi Group's existing and new businesses; (iv) the enterprise digital services provided by Camelot Group to Xiaomi Group after we acquired Camelot in September 2021, which is expected to continue to grow in the next three years ending December 2024; and (v) the fair market rates for provision of similar services. Considering the above-mentioned factors, the year-over-year increase in the amount of the fees payable by Xiaomi Group in respect of the provision of cloud services by our Group is estimated to be 41% for 2022, 21% for 2023 and 22% for 2024.

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The annual caps for the fees payable to Xiaomi Group in respect of the purchase of customized terminal devices and software for the three years ending December 31, 2024 are determined with reference to, among others, (i) the historical transaction amounts for the three years ended December 31, 2021 and the six months ended June 30, 2022; (ii) the expected significant increase in the future demand and sales of the customized terminal devices and software to our customers for the three years ending December 31, 2024 in light of, in particular, the growing business demand for customized terminal devices expressed by a number of our bank clients to our Group; and (iii) the fair market rates for provision of similar devices and software.

The annual caps for the Finance Leases for the three years ending December 31, 2024 are determined with reference to, among others, (i) the historical transaction amounts between the Group and Xiaomi Group for the year ended December 31, 2021 and the six months ended June 30, 2022; (ii) the Group's business needs for the finance leasing services provided by Xiaomi Group in the course of its daily operation and future development; (iii) the limit of the finance lease to be provided, and as indicated, by Xiaomi for the three years ending December 31, 2024; (iv) the current financing market conditions, the interest rate and the potential adjustments to be made by the People's Bank of China to the benchmark interest rates for RMB-denominated loans in the future; and (v) the nature and the carrying amount of the leased assets.

Listing Rules Implications

The transactions contemplated under the Xiaomi Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 5%. As such, these transactions will be subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement and independent shareholders' approval requirements in respect of the transactions contemplated under the Xiaomi Framework Agreement, provided that the total value of transactions under the Xiaomi Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024 will not exceed the relevant proposed annual caps set forth above.

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2. *Contractual Arrangements*

Overview

As disclosed in the section headed “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we conducted a portion of our business through our Consolidated Affiliated Entities in the PRC. See the section headed “Contractual Arrangements” in this listing document for details of the agreements comprising the Contractual Arrangements.

Listing Rules Implications

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 the Group (“**Intra-group Transactions**”) constitute continuing connected transactions of the Company under the Listing Rules upon the Listing as certain parties to the Contractual Arrangements will be connected persons of the Group.

Reasons for the Waiver Application and the View of our Directors on the Continuing Connected Transaction

Our Directors (including the independent non-executive Directors) are of the view that, and based on the documentation, information and data provided by the Company, the representations and confirmations provided by the Company and the Directors to the Joint Sponsors, and participation in the due diligence discussion with the management of the Company and the Company’s PRC Legal Adviser, the Joint Sponsors have reasonable ground to believe that, the Contractual Arrangements, the Intra-group Transactions and the transactions contemplated therein are fundamental to our Group’s legal structure and business, and 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 and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, our Directors consider that, given that the 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 the Company if the Contractual Arrangements, the Intra-group Transactions, and the transactions contemplated therein, are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

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Application for and Conditions for Waiver

In relation to the Contractual Arrangements and the Intra-group Transactions, we have applied to the Stock Exchange for and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such transactions pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements and the Intra-group Transactions under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements and the Intra-group Transactions to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares 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 relevant members of the Group thereunder) will be made without the approval of the independent non-executive Directors.
- (b) *No change without independent Shareholders' approval* – Save as described in “(d) Renewal and reproduction” below, no change to the agreements constituting the Contractual Arrangements will be made without the approval of our Company's 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 “(e) Ongoing reporting and approvals” below) will, however, continue to be applicable.
- (c) *Economic benefits flexibility* – The Contractual Arrangements shall continue to enable our Group to receive the entire 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 in the Consolidated Affiliated Entities for nominal consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the entire 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 relevant member of the Group by the Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) the Group's right to control the management and operation of, in substance, all of the voting rights of the Consolidated Affiliated Entities.

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- (d) *Renewal and reproduction* – On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its 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, in connection with any changes to the registered shareholders or directors of the Consolidated Affiliated Entities, 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 the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of 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 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 our Company’s annual report 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 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 registered holders of their 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 (iii) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

- Our Company’s auditor 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 our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the registered holders of their 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”, the Consolidated Affiliated Entity will be treated as our Company’s wholly owned subsidiary and, at the same time, the directors, chief executive officers or substantial shareholders of the Consolidated Affiliated Entity and its associates will be treated as connected persons of our Group (excluding for this purpose, the Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entity), 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 auditors full access to their relevant records for the purpose of our Company’s auditors’ review of the 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 Contractual Arrangements, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Apart from the requirements for three-year contractual term, setting annual cap, announcement, and/or independent Shareholders’ approval, of which waivers are sought above, we will comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements.

CONNECTED TRANSACTIONS

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that (i) the partially-exempt continuing connected transactions and the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business on terms which a party could obtain if the transactions were on an arm's length basis and on terms which are not more or less favourable to the Group than terms available to or from independent third parties, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole, (ii) the proposed annual caps for those transactions (where applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

JOINT SPONSORS' CONFIRMATION

Based on the due diligence performed by the Joint Sponsors, including review of the documents and information provided by our Company in relation to the above continuing connected transactions and the basis of calculating the annual caps and discussions with our senior management and our PRC Legal Adviser, and necessary representations and confirmations from our Company and Directors, the Joint Sponsors are of the view that (i) the partially-exempt continuing connected transactions and the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business on terms which a party could obtain if the transactions were on an arm's length basis and on terms which are not more or less favourable to the Group than terms available to or from independent third parties, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole; and (ii) the proposed annual caps for those transactions (where applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements and the Intra-group Transactions, which is of a duration longer than three years, based on the due diligence mentioned above, the Joint Sponsors have reasonable ground to believe that it is a justifiable and normal business practice to ensure that (i) policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOEs, (ii) the WFOEs can obtain substantially all of the economic benefits derived from our Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented on an uninterrupted basis.

CONNECTED TRANSACTIONS

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE CONTINUING CONNECTED TRANSACTION AGREEMENTS

In order to ensure the terms under relevant agreements for the partially-exempt continuing connected transactions and non-exempt continuing connected transactions are fair and reasonable and are carried out on normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a comprehensive management system on connected transactions. Under such system, the shareholders' general meetings, the Board meetings and the secretary of the Board are responsible for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Listing Rules and the Articles of Association. In addition, the finance department and the legal department of the Company are jointly responsible for the daily management of the connected transactions;
- The independent non-executive Directors will review the agreements for partially-exempt continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms that are fair and reasonable and carried out in accordance with the terms of such agreements. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements; and
- As mentioned above, in order to ensure that the pricing policies under relevant agreements for the partially-exempt continuing connected transactions are fair and reasonable, the general office of the Board, the finance department and the legal department of the Company shall review the prices proposed through the following review procedures:
 - o if market prices are available, the proposed price will be compared with market prices to ensure that the proposed price is equivalent to or no less favorable to the Company than prices offered by independent third parties providing similar services. The Company will make inquiries to various independent third-party service providers for their prices for further internal assessments;
 - o if no market prices are available, various factors will be considered in determining whether the price is fair and reasonable, such as regulatory requirements, actual needs of the Company, the nature of service, and the financial position and creditworthiness of the service provider; and
 - o the proposed price will be reviewed to ensure it is consistent with the pricing terms under the relevant agreements for the partially-exempt continuing connected transactions, and that the terms offered to the Company are no less favorable to the Company than those offered by independent third parties.