

CONNECTED TRANSACTIONS

CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon [REDACTED]:

Connected Persons	Connected Relationship
Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“Tencent Computer”)	a subsidiary of Tencent, one of our substantial shareholders
YLBJ	a company that is owned as to 63.568% by Mr. LI Yong, our Director and one of our Controlling Shareholders, and a subsidiary of YUAN Inc (through contractual arrangements) which is controlled by Mr. LI Yong through more than 30% of the voting power at general meeting of YUAN Inc
Fenbi Bluesky	a company that is owned as to 92.45% by Mr. Zhang, our Director and one of our Controlling Shareholders

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth the continuing connected transactions with our Group following the [REDACTED]:

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2022	2023	2024
(in RMB'000)					
<i>Partially-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)</i>					
Cloud Services and Technical Services Framework Agreement	Rule 14A.35, Rule 14A.53, Rule 14A.76(2) and Rule 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	14,000	18,000	21,000
Payment Services Framework Agreement	Rule 14A.35, Rule 14A.53, Rule 14A.76(2) and Rule 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	13,000	17,000	23,000
Printing Services Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	2,500	10,000	12,000
<i>Non-exempt continuing connected transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)</i>					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, independent shareholders' approval, annual cap, and limit of the terms of agreements under Chapter 14A of the Listing Rules	N/A	N/A	N/A

Partially-exempt Continuing Connected Transactions

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

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Cloud Services and Technical Services Framework Agreement

Principal Terms

In [•] 2022, Fenbi Bluesky (for itself and on behalf of other members of our Group) entered into a cloud services and technical services framework agreement (the “Cloud Services and Technical Services Framework Agreement”) with Tencent Computer, pursuant to which Tencent Computer agreed to provide cloud services and other cloud-related technical services to us for service fees. Cloud services and other cloud-related technical services include but are not limited to computing and network, cloud servers, cloud database, cloud security, monitoring and management, domain name resolution services, video services, big data and AI and other products and services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the Cloud Services and Technical Services Framework Agreement shall commence on the [REDACTED] and expire on December 31, 2024.

Reason for the Transactions

There are limited choices of cloud service providers in the PRC, while Tencent is a leading integrated service provider for a wide range of cloud services and technical services in the PRC and is able to provide high-quality, reliable and cost-efficient services. Considering our business has undergone and is expected to undergo rapid growth, we believe that obtaining such services from an integrated service provider is a cost-effective alternative to building all supporting technology infrastructure internally. We will be able to reduce unnecessary management resources and costs incurred from the purchase of additional technology hardware and tools, and recruitment of additional full-time information technology and maintenance staff. We therefore entered into the Cloud Services and Technical Services Framework Agreement to govern any cloud services and technical services to be provided by Tencent Computer or other members of Tencent to us.

Historical Amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amounts of fees relating to cloud services and technical services paid to Tencent by us were RMB5.0 million, RMB7.0 million, RMB9.0 million and RMB5.1 million respectively.

Annual Cap and Basis of Annual Cap

Our Directors estimate that the total fees to be paid by our Group to Tencent Computer for procurement of cloud services and technical services will not exceed RMB14.0 million, RMB18.0 million and RMB21.0 million for the year ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical transaction amounts and the existing agreements between our Group and Tencent; and (ii) as we expect growth in the number of our students, higher user engagement on our platform, continual development of our products and services and the corresponding demand for cloud services and technical services, the estimated amount of fees is expected to increase along with the overall growth of our business.

Pricing Policies

Before entering into any cloud services and technical services agreement pursuant to the Cloud Services and Technical Services Framework Agreement, we will assess our business needs and compare the cloud services and technical services fees proposed by Tencent Computer with the fees offered by at least one other comparable service provider. The service fee will be agreed by the parties through arm’s

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length negotiations based on the fee rates disclosed on the relevant official websites of Tencent. In addition, we will take into account a number of factors, including but not limited to (i) the quality and stability of cloud and technical services of different service providers; and (ii) the service fee rates. We will only enter into a cloud services and technical services agreement with Tencent Computer if the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers.

Listing Rules Implications

The Cloud Services and Technical Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but all will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Given the transactions under the Cloud Services and Technical Services Framework Agreement will be carried out from time to time after the [REDACTED] and the related framework agreement is disclosed in this document, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Cloud Services and Technical Services Framework Agreement. The waiver will expire on December 31, 2024. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this document, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Payment Services Framework Agreement

Principal terms

In [•] 2022, Fenbi Bluesky (for itself and on behalf of other members of our Group) entered into a payment services framework agreement (the “Payment Services Framework Agreement”) with Tencent Computer, pursuant to which Tencent Computer agreed to provide us with payment services through its payment channels so as to enable our customers to conduct online transactions and we will pay service commissions to Tencent Computer in respect of such services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the Payment Services Framework Agreement shall commence on the [REDACTED] and expire on December 31, 2024.

Reasons for the Transactions

There are limited choices of online payment channels in the PRC. Given that Tencent is a leading player in the PRC online payment service industry and many of our students use the online payment channel provided by Tencent, such cooperation will enable us to provide our students with the best available payment methods and therefore enhance our students’ satisfaction with our services.

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Historical Amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amounts of the payment service commissions in connection with payment services paid to Tencent by us were RMB2.3 million, RMB5.6 million, RMB9.0 million and RMB4.0 million, respectively.

Annual Cap and Basis of Annual Cap

Our Directors estimate that total payment service commissions paid by our Group to Tencent Computer will not exceed RMB13.0 million, RMB17.0 million and RMB23.0 million for the years ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the expected transaction volume for the years ending December 31, 2022, 2023 and 2024; (ii) the aforesaid historical amounts and the potential growth in the transaction amounts paid by our customers through the online payment channel provided by Tencent as a result of expected growth in the transaction volume and the continued use of such payment channel as one of the primary payment methods chosen by our students; and (iii) the estimated commission rate charged by Tencent Computer, with reference to the current market rates.

Pricing Policies

Before entering into any payment service agreement pursuant to the Payment Services Framework Agreement, we will assess our business needs and compare the payment service commissions proposed by Tencent Computer with the commissions offered by at least one other comparable service provider. In addition, we will take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment service providers; (ii) consumers' preference among different online payment service providers; and (iii) the payment service commission rates. We will only enter into a payment service agreement with Tencent Computer if the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third-party service providers.

Listing Rules Implications

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

Waiver Application

Given the transactions under the Payment Services Framework Agreement will be carried out from time to time after the [REDACTED] and the related framework agreement is disclosed in this document, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Payment Services Framework Agreement. The waiver will expire on December 31, 2024. In case of any future amendment to the

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Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this document, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Printing Services Framework Agreement

Principal Terms

In [•] 2022, Lancai Tianxia entered into a printing services framework agreement (the “Printing Services Framework Agreement”) with YLBJ (for itself and on behalf of its subsidiaries), pursuant to which YLBJ agreed to engage Lancai Tianxia to provide custom printing and book binding services for its self-developed learning materials. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the Printing Services Framework Agreement shall commence on the [REDACTED] and expire on December 31, 2024.

Reason for the Transactions

Although we did not provide printing services for YLBJ in the past, we did provide printing services to other independent third party customers and gradually ramp up our printing capacity. Given the great demand of YLBJ for printing services, we could benefit from the business cooperation between us and YLBJ in expansion and promotion of our printing services, which enable us to enhance our competitiveness. We could also reduce unnecessary management resources and costs incurred from client sourcing.

Historical Amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, neither YLBJ nor any of its subsidiaries had purchased any printing services from us. Based on our unaudited management accounts, for the period from July 1, 2022 to September 30, 2022, the amount of service fee in connection with printing services paid by YLBJ to us was approximately RMB0.7 million.

Annual Cap and Basis of Annual Cap

Our Directors estimate that the total revenues from YLBJ for procurement of our printing services will not exceed RMB2.5 million, RMB10.0 million and RMB12.0 million for the year ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical and prevailing market price for our printing services of comparable goods and services, and the potential fluctuations in the market price for such printing services in the future; (ii) our existing printing capacity and its expected future growth; and (iii) the current demands of YLBJ for printing services in 2022 as YLBJ began to place order for printing services and the estimated demands and growth rate in the future three years.

Pricing Policies

Before entering into any printing services agreement pursuant to the Printing Services Framework Agreement, we will review and ensure the payment arrangement of such individual printing services agreement are on normal commercial terms. The fee quotes offered by us shall take into account the quantity of the relevant orders, the service scopes and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by us to Independent Third Parties in respect of comparable goods and services, and the prevailing market price of comparable goods and services.

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Listing Rules Implications

The Printing Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but all will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Given the transactions under the Printing Services Framework Agreement will be carried out from time to time after the [REDACTED] and the related framework agreement is disclosed in this document, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Printing Services Framework Agreement. The waiver will expire on December 31, 2024. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this document, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Non-exempt Continuing Connected Transactions

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

Contractual Arrangements

Background

As disclosed in “Contractual Arrangements,” due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in China under the Contractual Arrangements entered into among Fenbi ShangAn, the Consolidated Affiliated Entities and the Registered Shareholders. Through the Contractual Arrangements, we effectively control the Consolidated Affiliated Entities and are able to derive substantially all of the economic benefits and expected to continue to do so. The Contractual Arrangements enable us to, among others, (1) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Fenbi ShangAn to the Consolidated Affiliated Entities; (2) exercise effective control over the Consolidated Affiliated Entities; and (3) hold an exclusive option to purchase all or part of the equity interests in Fenbi Bluesky when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of various types of documents. For detailed terms of these documents, see “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 certain parties to the Contractual Arrangements, including Mr. Zhang, are connected persons of the Group pursuant to Chapter 14A of the Listing Rules.

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One or more of the applicable percentage ratios of transactions contemplated under the Contractual Arrangements are expected to be more than 5%. Therefore, the transactions will constitute non-exempt continuing connected transactions of our Group and will be subject to reporting, announcement, circular, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, which are fair and reasonable and in the interests of our Group 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 agreements to be entered into between our Consolidated Affiliated Entities and any member of our Group (“New Intergroup Agreements” and each of them, a “New Intergroup Agreement”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that the financial results of the Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries and all the economic benefits of their business flows to our Group, our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements. Our Directors believe 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 reporting, announcement, circular, independent shareholders’ approval requirements.

In addition, given the Contractual Arrangements were entered into prior to the [REDACTED] and are disclosed in this document, and potential investors of our Company will participate in the [REDACTED] on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements in respect thereof immediately after [REDACTED] would add unnecessary administrative costs to our Company.

Waiver Application

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (1) the announcement, circular and Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (2) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (3) the requirement of limiting the terms for the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our [REDACTED] are [REDACTED] 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 Fenbi ShangAn thereunder) will be made without the approval of the 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 approval of our Company’s independent Shareholders. 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

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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.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (1) 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 Fenbi Bluesky for consideration equivalent to the minimum purchase price permitted by applicable PRC laws and regulations; (2) the business structure under which the profit generated by the Consolidated Affiliated Entities (after deduction of any accumulated deficit in respect of the preceding financial years, operating costs, expenses, taxes and other statutory contributions) is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Fenbi ShangAn under the Business Cooperation and Service Agreement; and (3) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of Fenbi Bluesky.

(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 one hand, and our 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 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 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 (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (2) 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, and (3) any new contract entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as our Group is concerned and in the interests of our 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 our Directors and have been entered into in accordance with the relevant Contractual

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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 wholly-owned subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of our Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company (excluding for the 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; and
- our Consolidated Affiliated Entities will undertake that, for so long as our [REDACTED] are [REDACTED] on the Stock Exchange, our Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditors’ 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 (1) the announcement, circular and independent shareholders’ approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (2) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (3) limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as [REDACTED] are [REDACTED] on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as the Company’s subsidiary, and the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the 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. The Company 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 requirement 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.

DIRECTORS’ CONFIRMATION

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in this section, including but not limited to terms and annual caps thereof, have been entered into and are conducted in the ordinary and usual course of our business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term 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 to ensure that (1) the financial and operation of our Consolidated Affiliated Entities can be effectively controlled by Fenbi ShangAn, (2) Fenbi ShangAn can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (3) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

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JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, and (ii) participated in the due diligence and discussion with the management of the Company with respect to the above non-exempt continuing connected transactions. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed monetary annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, the Joint Sponsors are also of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;
- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.