
CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon the [REDACTED].

CONNECTED PERSONS

The table below sets forth the connected persons of our Company involved in the connected transactions set out in this section and the nature of their connection with our Group:

Connected Persons	Connected Relationship
Mr. Jia	Chairman of our Board, executive Director, chief executive officer and substantial shareholder of our Company
Mr. Huang	Executive Director and substantial shareholder of our Company
Mr. Li Xin	Executive Director of our Company
Mr. Zhang Litao	Director of Wangchen Technology
Wangchen Technology	Associate of Mr. Jia

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in “Contractual Arrangements” in this document, the business operations of the PRC Operating Entities constitute a business restricted or prohibited to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the PRC Operating Entities. As a result, our Group has entered into the Contractual Arrangements narrowly tailored to provide our Group with control over the PRC Operating Entities and grant our Group the right to acquire interests of the PRC Operating Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, our Group supervises and controls the business operations and obtains all economic benefits developed by the PRC Operating Entities.

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The Contractual Arrangements consist of a series of agreements. For further details, see “Contractual Arrangements” in this document. Our PRC Legal Advisers have advised that the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties under applicable PRC laws and regulations.

Listing Rules implications

Pursuant to Rules 14A.35, 14A.36, 14A.49 and 14A.55 of the Listing Rules, the transactions contemplated under the Contractual Arrangements will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

Contractual Arrangements

Pursuant to Rule 14A.105 of the Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange [has agreed] to grant, a waiver from strict compliance with (i) announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as our Shares are [REDACTED] on the Stock Exchange, subject to the following conditions:

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

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

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(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating 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 PRC Operating Entities at the minimum amount of consideration permitted by applicable PRC laws and regulations; (ii) the business structure under which the consolidated net profits generated by the PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE under the Exclusive Business Cooperation Agreement (as defined in “Contractual Arrangements — Our Contractual Arrangements — Exclusive Business Cooperation Agreement” in this document); and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operating Entities.

(d) Renewal

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the PRC Operating 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 executives 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 the 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

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

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports of our Company in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual reports of our Company 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

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Contractual Arrangements; (ii) no dividends or other distributions have been made by the PRC Operating 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 PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and Shareholders as a whole.

- 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 and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” our PRC Operating Entities will be treated as our wholly-owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and their respective associates will be treated as connected persons of our Company (excluding for this purpose, our PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- The PRC Operating Entities will undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, the PRC Operating Entities will provide our Group’s management and our Company’s auditor with full access to its relevant records for the purpose of our Company’s auditor’s review of the connected transactions.

OUR DIRECTORS’ VIEW

Our Directors, including our independent non-executive Directors, are of the view that the contracts constituting the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations and that the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable as far as our Group is concerned and are in the interests of our Company and our Shareholders as whole.

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THE SOLE SPONSOR’S VIEW

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Advisers. Based on the above, the Sole Sponsor is of the view that the contracts constituting Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations and that the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable as far as our Group is concerned and are in the interests of our Company and our Shareholders as a whole.