
CONTINUING CONNECTED TRANSACTION

We have entered into certain agreements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the [REDACTED], the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background of the Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions or prohibitions on foreign ownership in the PRC, we conduct a substantial portion of business through Ophyer Technology and its subsidiaries, being our Consolidated Affiliated Entities. The Contractual Arrangements entered into among Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders enable us to (i) receive substantially all of the economic benefits from Consolidated Affiliated Entities in consideration for the services provided by Beijing Flowing Cloud to Consolidated Affiliated Entities under the Exclusive Technical Consultation and Services Agreement; (ii) exercise effective control over Consolidated Affiliated Entities to conduct the relevant business; and (iii) hold an exclusive option to purchase all or any part of equity interests in Consolidated Affiliated Entities and/or assets or interests in any of the assets of Consolidated Affiliated Entities.

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: the Exclusive Technical Consultation and Services Agreement, the Exclusive Option Agreements, the Equity Pledge Agreements, the Shareholders’ Rights Entrustment Agreements, the Registered Shareholder Undertakings and the Spouse Undertakings made by the spouse of each of the individual Registered Shareholders, where applicable. See the section headed “Contractual Arrangements” in this document for detailed terms of the Contractual Arrangements.

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Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions associated with the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED].

<u>Name</u>	<u>Connected relationship</u>
Mr. Wang	Mr. Wang is our Controlling Shareholder and executive Director and is therefore our connected person pursuant to Chapter 14A of the Listing Rules
Mr. Li	Mr. Li is our Controlling Shareholder and executive Director and is therefore our connected person pursuant to Chapter 14A of the Listing Rules
Ophyer Technology.	A company held as to approximately 40.88% and 5.92% by Mr. Wang and Mr. Li, respectively, as of the Latest Practicable Date

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A 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.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider

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that, given that our 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 our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement, circular and approval of independent Shareholders.

Application for and Conditions of Waiver

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from (i) strict compliance with the announcement, circular and independent 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; (ii) setting an annual cap for the transactions under the Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject to the following conditions:

(a) *No Change without Independent Non-executive Directors' Approval*

No changes to the terms of 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 terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the 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 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: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in and/or the relevant assets of the Consolidated Affiliated Entities; (ii)

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the business structure under which the total consolidated profit after tax of Ophyer Technology, after offsetting the prior-year loss (if any) and statutory reserve funds (if applicable), is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to Beijing Flowing Cloud under the Exclusive Technical Consultation and Service Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of 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 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 described under the section headed “Contractual Arrangements” in this document. Our 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 when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) *Ongoing Reporting and Approvals*

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

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

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dividends or other distributions have been made by 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 contracts entered into, renewed or reproduced between our Group and Consolidated Affiliated 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 the Shareholders as a whole.

- (iii) Our 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 carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and our Directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their associates will be treated as our Company's "connected persons". As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- (v) the Consolidated Affiliated Entities further 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 auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors on the connected transactions.

Directors' confirmation

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 operations, have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors (including the independent non-executive Directors) consider that, given that our 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 our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders’ approval requirements.

Sole Sponsor’s confirmation

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Group in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and our Directors; (iii) obtained and reviewed the legal opinion from our PRC Legal Advisors and (iv) participated in the due diligence and discussions with the management of our Group, the PRC Legal Advisors and its own PRC legal advisors.

Based on the above, the Sole Sponsor is of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the non-exempt continuing connected transactions set out above, and from which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group on normal commercial terms or better, which are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

With respect to the term of the relevant Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operation of the Consolidated Affiliated Entities can be effectively controlled by Beijing Flowing Cloud, (ii) Beijing Flowing Cloud can obtain the economic benefits derived from the operation of 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.