
CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a number of transactions with our connected persons, 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 [REDACTED].

OUR CONNECTED PERSONS

Upon [REDACTED], the following parties with whom we have entered into transactions in our ordinary and usual course of business will become our connected persons:

<u>Name of our connected person</u>	<u>Connected Relationship</u>
Far East Horizon and its associates (excluding our Group, the “ Far East Horizon Connected Persons ”)	Far East Horizon is one of our Controlling Shareholders.
Shaoxing Shangyu Boteng Metal Products Co., Ltd.* (紹興市上虞博騰金屬製品有限公司) (“ Shangyu Boteng ”)	Shangyu Boteng is an associate of Mr. He Ziming (何子明先生), our non-executive Director. As of the Latest Practicable Date, Shangyu Boteng was owned as to 98% by Mr. He Mengguang (何孟光先生), a brother of Mr. He Ziming (何子明先生), and 2% by Mr. Dong Yuejin (董岳金先生). Therefore, Shangyu Boteng is an associate of Mr. He Ziming (何子明先生) and a connected person of our Company upon [REDACTED]. To the best knowledge of our Directors, Mr. Dong Yuejin (董岳金先生) is Mr. He Ziming’s cousin.
Lanjin Stone	Lanjin Stone is an associate of Mr. He Ziming (何子明先生), our non-executive Director. As of the Latest Practicable Date, Lanjin Stone was wholly owned by Mr. He Ziming (何子明先生).

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OUR CONTINUING CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements

1. *Trademark Licensing Agreement*

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a trademark licensing agreement (the “**Trademark Licensing Agreement**”) with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to grant to our Group a non-exclusive and non-transferable license to use certain trademarks (the “**Trademarks**”) registered by them in the PRC and Hong Kong on a royalty-free basis for a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months’ prior written notice to the other party. The Trademark Licensing Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with. For the details of the licensed trademarks, please refer to “C. Further Information about Our Business—2. Intellectual property rights” in Appendix IV to this [REDACTED].

We believe that the entering into of the Trademark Licensing Agreement can ensure the stability of our operations, and is beneficial to us and our Shareholders as a whole.

As the right to use the Trademarks is granted to our Group on a royalty-free basis, all applicable percentage ratios are less than 0.1%. Therefore, the Trademark Licensing Agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules.

2. *Administrative Services Agreement*

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into an administrative services framework agreement (the “**Administrative Services Agreement**”) with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to provide to our Group administrative services, such as information technology services, e.g., systems for email, domain control and management, conference room booking, and internal policies management, on a cost sharing basis. The Administrative Services Agreement has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination

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by either party giving at least three months' prior written notice to the other party. The Administrative Services Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The total amount to be borne by and allocated to our Group under the Administrative Services Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to the expenses and costs of usage, repair and maintenance of administrative systems in the ordinary course of our operation and business.

Reasons for the transactions

We believe that the entering into of the Administrative Services Agreement can optimize the overall administrative cost structure and bring administrative convenience to our Group, and is beneficial to us and our Shareholders as a whole.

Historical transaction amounts

During the Track Record Period, the cost of such shared administrative services was borne by Far East Horizon with us being a member of its group. As such, we did not record any historical transactions amounts.

As the services contemplated under the Administrative Services Agreement constitute sharing of administrative services on a cost sharing basis, and the costs are identifiable and are allocated to our Group on a fair and equitable basis, such agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.98 of the Listing Rules.

3. Premises Leasing Agreement I

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a premises leasing services framework agreement (the "**Premises Leasing Agreement I**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which our Group agreed to lease certain premises of our workshops, warehouse and outdoor space to the Far East Horizon Connected Persons for their use of industrial production, office space and storage of inventories.

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The Premises Leasing Agreement I has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Premises Leasing Agreement I may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by the Far East Horizon Connected Persons under the Premises Leasing Agreement I shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the location, type, quality, size, area and lease term of the premises; and (ii) the prevailing market rates of premises with comparable type, quality, size and area situated in the vicinity provided by the Independent Third Parties for similar premises leasing services.

Reasons for the transactions

During the Track Record Period, the Far East Horizon Connected Persons leased premises from us from time to time to support their construction projects. Since we are able to provide leasing services for those premises required by them, we expect that the Far East Horizon Connected Persons will continue to lease such premises from us.

Historical transaction amounts

During the Track Record Period, the total rental in respect of the provision of premises leasing services was set out below:

	Year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total rental	212	165	165

The historical transaction amounts of premise leasing transactions reflected business demand of Far East Horizon Connected Person during the Track Record Period.

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Listing Rules implications

Since the transactions contemplated under the Premises Leasing Agreement I will be conducted on normal commercial terms or better, and the highest applicable percentage ratio is expected to be, on an annual basis, less than 0.1%, the Premises Leasing Agreement I is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

4. Premises Leasing Agreement II

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a premises leasing services framework agreement (the "**Premises Leasing Agreement II**") with Lanjin Stone (for itself and on behalf of its associates), pursuant to which our Group agreed to lease certain premises of our warehouse and outdoor space to Lanjin Stone for its use of production and storage of stones.

The Premises Leasing Agreement II has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Premises Leasing Agreement II may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by Lanjin Stone under the Premises Leasing Agreement II shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the location, type, quality, size, area and lease term of the premises; and (ii) the prevailing market rates of premises with comparable type, quality, size and area situated in the vicinity provided by the Independent Third Parties for similar premises leasing services.

Reasons for the transactions

For the purpose of production and storage of stones, Lanjin Stone proposed to lease certain premises of our warehouse and outdoor space located near expressway, which would be cost efficient and convenient for transportation.

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Historical transaction amounts

During the Track Record Period, we did not record any transaction amounts.

Listing Rules implications

Since the transactions contemplated under the Premises Leasing Agreement II will be conducted on normal commercial terms or better, and the highest applicable percentage ratio is expected to be, on an annual basis, less than 0.1%, the Premises Leasing Agreement II is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

5. *Service Vehicles Leasing Agreement*

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a service vehicles leasing services framework agreement (the "**Service Vehicles Leasing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which our Group agreed to lease certain service vehicles such as electric pallet trucks, scissor lifts, spider lifts and multiple-purpose vehicles, etc. to the Far East Horizon Connected Persons.

The Service Vehicles Leasing Agreement has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Service Vehicles Leasing Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by the Far East Horizon Connected Persons under the Service Vehicles Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the specifications, technical requirements, model and lease term of the service vehicles; and (ii) the rates of service vehicles with similar specifications, technical requirements and model provided to the Independent Third Parties for similar service vehicles leasing services.

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Reasons for the transactions

During the Track Record Period, the Far East Horizon Connected Persons leased service vehicles from us from time to time to support their business operations. Since we, as a major equipment operating leasing service provider, are able to provide the leasing services required by them in our ordinary and usual course of business, we expect that the Far East Horizon Connected Persons will continue to use such leasing services of ours.

Historical transaction amounts

During the Track Record Period, the total rental in respect of the provision of service vehicles leasing services was set out below:

	Year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total rental	1,221	35	301

The historical transaction amount for the year ended December 31, 2020 was substantially higher than the historical transaction amounts for the two years ended December 31, 2022, mainly due to Far East Horizon Group's higher business demand for leasing of service vehicles to facilitate and support certain infrastructure projects carried out during 2020.

Listing Rules implications

Since the transactions contemplated under the Service Vehicles Leasing Agreement will be conducted on normal commercial terms or better, and the highest applicable percentage ratio is expected to be, on an annual basis, less than 0.1%, the Service Vehicles Leasing Agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

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(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement

1. Office Seats Leasing Agreement

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into an office seats leasing services framework agreement (the "**Office Seats Leasing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to lease certain office seats to our Group.

The Office Seats Leasing Agreement has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Office Seats Leasing Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by our Group under the Office Seats Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the number, area, location and lease term of the office seats; and (ii) the prevailing market rates of similar office seats leasing services provided by the Independent Third Parties.

Reasons for the transactions

As of the Latest Practicable Date, we have our operation bases with office buildings and factories located in Jiading District and Jinshan District of Shanghai, in Tianjin and in Guangzhou. We believe that the entering into of the Office Seats Leasing Agreement can facilitate daily commute of our employees who live nearby Far East Horizon Plaza in Shanghai and facilitate administrative management and our communication with Far East Horizon Group. It is in our Group's interest in terms of cost, efficiency and stability to lease the office seats from the Far East Horizon Connected Persons.

Historical transaction amounts

During the Track Record Period, the Far East Horizon Connected Persons had made available to us a part of office seats free of charge; therefore, we did not record any historical transaction amounts.

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The table below sets out a summary of the number of office, office seats and GFA offered by the Far East Horizon Connected Persons to our Group free of charge during the Track Record Period:

	Year ended December 31,		
	2020	2021	2022
Office seats			
Number	300	394	140
GFA (sq.m.)	3,300	4,334	1,540
Offices			
Number	6	8	6
GFA (sq.m.)	108	144	108

Annual caps

Our Directors estimate that the maximum annual rental to be paid by our Group to the Far East Horizon Connected Persons in relation to the Office Seats Leasing Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	2024	2025
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total rental	9,564	9,564	9,564

In arriving at the above annual caps, our Directors have considered the following factors:

- (i) the number and area of office seats and offices occupied by our Group as of the Latest Practicable Date, i.e., 140 office seats covering a GFA of approximately 1,540 sq.m. and six offices covering a GFA of approximately 108 sq.m. of Far East Horizon Plaza;
- (ii) the expected number of office and office seats to be leased from the Far East Horizon Connected Persons and annual rental rates in the next three years, i.e., 140 office seats with annual rental of RMB54,341 per seat and six offices with annual rental of RMB326,046 per office. Such expected number of offices and office seats in the next three years is in line with our Group's future rental demand for offices and office seats. As of the Latest Practicable Date, we have rented offices in a new office building in Pudong District of Shanghai (the "**Rental Offices in Pudong New District of Shanghai**") according to a lease contract with an Independent Third Party and moved our certain business departments to the Rental Offices in Pudong New District of Shanghai. We intend to maintain a part of office

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area in Far East Horizon Plaza for our functional departments (such as, among others, investors relationship, legal, human resource departments) to facilitate administrative management and our communication with Far East Horizon Group. Therefore, our Directors do not expect a material increase in our Group's rental demand for offices and office seats in Far East Horizon Plaza for the next three years; and

- (iii) the prevailing market rates for comparable office seats leasing services provided by the Independent Third Parties in the vicinity.

We have taken and will continue to implement measures on functional barriers to prevent the flow of confidential or sensitive information of our Group's operation to the Far East Horizon Connected Persons, including but not limited to (i) we have formulated Chinese walls related internal policy to regulate functional barriers upon [REDACTED]; (ii) we have separate and independent business operation management system in all necessary aspects; (iii) there is clear physical division of the office seats and area occupied by our Group in Far East Horizon Plaza to ensure independence and confinement of office area; and (iv) we have implemented IT functional barriers to control the employee's access to office area.

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Office Seats Leasing Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Office Seats Leasing Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Construction and Decoration Services Agreement

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a construction and decoration services framework agreement (the "**Construction and Decoration Services Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to provide construction and decoration services, including but not limited to indoor and outdoor decoration such as plant decoration, water supply and drainage construction, electrical engineering, smart light current engineering system construction and maintenance, outdoor waterscape construction and secondary fire protection engineering services, to our Group.

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The Construction and Decoration Services Agreement has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months’ prior written notice to the other party. The Construction and Decoration Services Agreement may be renewed by mutual agreement of the parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The service fees to be paid by our Group under the Construction and Decoration Services Agreement shall be in line with normal commercial terms and determined on arm’s length basis with reference to (i) the status, complexity and construction period of each project, and the type, market price and costs of construction and decoration raw materials; and (ii) the prevailing market rates of comparable construction and decoration services provided by the Independent Third Parties.

Reasons for the transactions

During the Track Record Period, the Far East Horizon Connected Persons, namely Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)¹ (“**Shanghai Yijia**”), a company principally engaged in decoration of indoor space and building facade and Shanghai Qixiao Intelligent Technology Co., Ltd. (上海啓驍智能科技有限公司)² (“**Shanghai Qixiao**”), a company principally engaged in system installation and integration service, had provided construction and decoration services in its ordinary and usual course of business to our Group, including but not limited to the decoration, smart light current engineering system construction and maintenance, secondary renovation construction, dormitory area renovation, office area expansion of our operation base in Jiading District of Shanghai, the decoration and smart light current engineering system construction of our operation base in Jinshan District of Shanghai and the decoration and construction and smart light current engineering system construction of our operation base in Nansha District of Guangzhou.

Notes:

- 1 As of the Latest Practicable Date, Shanghai Yijia was owned as to 30% by Shanghai Dopont Industrial Co., Ltd. (上海德朋實業有限公司), an indirect wholly-owned subsidiary of Far East Horizon, 45.39% by Mr. Zhou Zhihong (周志鴻先生), 22.61% by Mr. Wu Keqiang (吳克強先生) and 2% by Mr. Wang Zixing (王自行先生). Therefore, Shanghai Yijia is an associate of Far East Horizon and will be a connected person of our Company upon [REDACTED]. To the best knowledge of our Directors, Mr. Zhou Zhihong (周志鴻先生), Mr. Wu Keqiang (吳克強先生) and Mr. Wang Zixing (王自行先生) are Independent Third Parties.
- 2 As of the Latest Practicable Date, Shanghai Qixiao was owned as to 30% by Shanghai Yijia and 70% by Mr. Luo Zhonghua (羅中華先生), an Independent Third Party. Therefore, Shanghai Qixiao is an associate of Far East Horizon and will be a connected person of our Company upon [REDACTED].

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Through years of cooperation, we believe that we have mutual understanding of each other's operation, quality control and specific requirements for construction and decoration projects. The Far East Horizon Connected Persons are capable of supplying our Group with construction and decoration services with sufficient quantity, reliable quality, favorable terms and in a timely manner, which will ensure the smooth business operation of our Group. We expect to continue to use the construction and decoration services provided by the Far East Horizon Connected Persons after [REDACTED].

Historical transaction amounts

During the Track Record Period, the total amount of service fees in respect of the provision of construction and decoration services was set out below:

	Year ended December 31,		
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)
Total service fees	8,595	1,947	5,668

In 2020, the renovation projects with Shanghai Yijia commenced in 2019 settled final payment and we recorded progress payment for the decoration and construction project of our operation base in Nansha District of Guangzhou. In 2021, we recorded (i) payment of construction and decoration of the equipment testing rooms and sporadic maintenance project of the operation base in Jiading District of Shanghai, (ii) payment of construction and decoration project of the operation base in Nansha District of Guangzhou, and (iii) payment of certain projects in respect of office renovation construction, system installation and integration, light current engineering system construction, renovation and regular maintenance. In 2022, we recorded (i) payment of construction and decoration of the operation base in Jiading District of Shanghai, and (ii) part of the payment of construction and decoration of the Rental Offices in Pudong New District of Shanghai.

Annual caps

Our Directors estimate that the maximum annual service fees in relation to the Construction and Decoration Services Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Total service fees	10,054	376	75

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In arriving at the above annual caps, our Directors have considered the following factors:

- (i) the historical transaction amounts during the Track Record Period; and
- (ii) the expected business cooperation needs on office decoration of our Group, taking into account our expansion plan of operation bases in the next three years.

In 2023 and 2024, we will settle payment for (i) construction and decoration project and fire-protection project of the operation base in Nansha District of Guangzhou; (ii) construction and decoration project of the rental offices in Binhai New District of Tianjin; and (iii) construction and decoration project of the Rental Offices in Pudong New District of Shanghai. In addition, we expect to enter into regular light current engineering system maintenance arrangement for our operation bases and rental offices with the Far East Horizon Connected Persons in each of the three years ending December 31, 2025.

A breakdown of the estimated maximum annual service fees in respect of the construction and decoration services with the Far East Horizon Connected Persons is set out below:

	Year ending December 31,		
	2023	2024	2025
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Construction and decoration of Nansha operation base	645	12	—
Construction and decoration of the rental offices in Binhai New District of Tianjin	5,719	177	—
Construction and decoration of the Rental Offices in Pudong New District of Shanghai	3,615	112	—
Light current engineering system maintenance	75	75	75
Total	10,054	376	75

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Construction and Decoration Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Construction and Decoration Services Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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3. *Materials Procurement Agreement*

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a materials procurement framework agreement (the “**Materials Procurement Agreement**”) with Shangyu Boteng (for itself and on behalf of its associates), pursuant to which our Group agreed to purchase certain materials, including but not limited to connection accessories of ringlock scaffolds, from Shangyu Boteng and its associates.

The Materials Procurement Agreement has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months’ prior written notice to the other party. The Materials Procurement Agreement may be renewed by mutual agreement of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The amount to be paid by our Group under the Materials Procurement Agreement shall be in line with normal commercial terms and determined on arm’s length basis with reference to (i) the specification, model, unit price type and quality of the materials; and (ii) the prevailing market rates of similar materials provided by the Independent Third Parties.

To ensure that the terms offered by Shangyu Boteng are in line with normal commercial terms, for any transaction proposed with Shangyu Boteng, our Group will obtain quotations from at least two independent suppliers of similar materials. The following factors will be taken into account to determine whether the proposed transaction is on normal commercial terms: (i) the terms of the quotations received, including but not limited to price/fee, transportation arrangement, acceptance arrangement, payment terms, duration of warranty period, maintenance arrangement and response to the requirements and specifications of materials set by our Group and (ii) background and historical business relationship between our Group and participating suppliers. The responsible management team will review and consider the quotations provided by all suppliers and only enter into the relevant agreement with Shangyu Boteng and/or its associates after confirming that the terms are on normal commercial terms.

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Reasons for the transactions

The quality of connection accessories of ringlock scaffolds is extremely important for the safety of engineering and construction projects. During the Track Record Period, Shangyu Boteng had provided to us with certain specialised connection accessories of ringlock scaffolds, such as crossbar bolt, disc, top and bottom supporting and joints to be used in our ordinary course of business by which our Group has acquired a deep understanding of the production technology and quality control capabilities of Shangyu Boteng. As compared to other suppliers, Shangyu Boteng is in closer proximity to our operation base in Jinshan District of Shanghai, which helps lower transportation cost. When other terms of transactions are similar or comparable, Shangyu Boteng generally offers a longer warranty period and favorable terms on payment, warranties and maintenance as compared to other independent suppliers. Having considered our long-term and stable cooperation with Shangyu Boteng in the past, our Directors believe that Shangyu Boteng is capable of providing the specialised materials in a reliable and cost-effective manner with competitive price as compared to the Independent Third Parties in respect of materials of similar specification, model, type and quality, and the pricing, payment and other major terms of the transactions under the Materials Procurement Agreement are comparable to those with independent suppliers.

Historical transaction amounts

During the Track Record Period, the total amount in respect of materials procurement was set out below:

	Year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total amount	47,991	149,443	43,970

The increase of the transaction amounts from 2020 to 2021 was mainly affected by government policies implemented in certain provinces and municipalities such as Jiangsu and Shanghai to encourage the replacement of traditional scaffolds by ringlock scaffolds. For details, please refer to the section headed “Industry Overview—The Equipment Operation Service Market in China—Formwork System” in this [REDACTED]. As a result of such policies, our transactions with ringlock scaffolds connection accessories providers (including Shangyu Boteng and other qualified suppliers) generally increased. In 2022, the resurgence of COVID-19 cases in certain major cities across China have led to the imposition of various pandemic mitigation measures by the government, including lockdown, suspension of construction work, travel ban and quarantine measures. As a result, most of our business operations were adversely affected and our materials procurement amount throughout 2022 decreased as compared to 2021.

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A breakdown of the historical transaction amounts in respect of material procurement with Shangyu Boteng and other independent suppliers was set out below:

	Year ended December 31,								
	2020			2021			2022		
	Procurement unit	Procurement amount	Unit price ²	Procurement unit	Procurement amount	Unit price ²	Procurement unit	Procurement amount	Unit price ²
	('000 ton)	(RMB'000)	(RMB per ton)	('000 ton)	(RMB'000)	(RMB per ton)	('000 ton)	(RMB'000)	(RMB per ton)
- Shangyu Boteng	5.3	47,991	9,055	17.6	149,443	8,491	6.0	43,970	7,328
- Independent suppliers ¹	22.7	192,379	8,475	13.5	116,162	8,605	21.2	184,943	8,724
Total	28	240,370	8,585	31.1	265,605	8,540	27.2	228,913	8,416

Notes:

- For the three years ended December 31, 2022, the number of independent suppliers was 5, 16 and 28, respectively.
- The unit price varies depending on the specification, model, type and size of materials. For illustration purpose, the unit price set out in the table was calculated based on the procurement unit and amount. The average unit price for the material procurement transactions with Shangyu Boteng and independent suppliers for the Track Record Period was approximately RMB8,353 per ton and RMB8,597 per ton, respectively.

Annual caps

Our Directors estimate that the maximum annual amount under the Materials Procurement Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Total amount	165,600	165,600	165,600

In arriving at the above annual caps, our Directors have considered the following factors:

- the improvement of our production capability of ringlock scaffolds and our increasing demand of procurements of ringlock scaffolds connection accessories. For the three years ended December 31, 2022, our total procurement amounts of ringlock scaffolds connection accessories were approximately RMB240 million, RMB266 million and RMB235 million. We estimate our total procurement amounts of ringlock scaffolds connected

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accessories for the three years ending December 31, 2025 will reach approximately RMB320 million, RMB352 million and RMB387 million with reference to our procurement plan;

- (ii) For the three years ended December 31, 2022, the procurement amounts from Shangyu Boteng and/or its associates represented approximately 20%, 56% and 21% of our total procurement amounts of ringlock scaffolds connection accessories. Based on the estimated annual caps for the three years ending December 31, 2025, the procurement amounts from Shangyu Boteng and/or its associates will be approximately 52%, 47% and 43% of our total procurement amounts of ringlock scaffolds connection accessories; and
- (iii) the estimated materials procurement orders of our Group for the three years ending December 31, 2025 based on the estimated unit price and procurement quantity of the materials provided by Shangyu Boteng.

A breakdown of the estimated maximum annual amount in respect of material procurement with Shangyu Boteng and other independent suppliers is set out below:

	Year ending December 31,					
	2023		2024		2025	
	Procurement unit ¹	Procurement amount ²	Procurement unit ¹	Procurement amount ²	Procurement unit ¹	Procurement amount ²
	('000 ton)	(RMB'000)	('000 ton)	(RMB'000)	('000 ton)	(RMB'000)
- Shangyu Boteng	20.7	165,600	20.7	165,600	20.7	165,600
- Independent suppliers	19.3	154,400	23.3	186,400	27.7	221,600
Total	40.0	320,000	44.0	352,000	48.4	387,200

Notes:

- The estimated procurement unit from Shangyu Boteng represents the estimated maximum production capacity of Shangyu Boteng for the three years ending December 31, 2025. The estimated total procurement unit and its year-on-year increase for the three years ending December 31, 2025 are in line with our business strategies to increase our equipment volume of ringlock scaffolds. For details, please refer to the section headed “Business—Business Strategies—Increase our equipment volume and enhance the quality of our equipment” in this [REDACTED].
- The total amount of procurement is calculated based on the estimated procurement order and the estimated average unit price (i.e., RMB8,000 per ton) with reference to the historical average unit price during the Track Record Period.

CONNECTED TRANSACTIONS

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Materials Procurement Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Materials Procurement Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements

1. Financial Leasing Agreement

Principal terms

On [●], 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a financial leasing services framework agreement (the "**Financial Leasing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to provide financial leasing services to our Group.

The Financial Leasing Agreement has a term commencing from the [REDACTED] up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Financial Leasing Agreement may be renewed by mutual agreement of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The amounts to be paid by our Group under the Financial Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the expected financing needs of our Group; (ii) the prevailing market rates of similar financial leasing services provided by the Independent Third Parties; and (iii) the benchmark leasing rates published by PBOC from time to time or the rates charged by the major financial service providers for similar financial leasing services.

To ensure that the terms offered by the Far East Horizon Connected Persons are in line with normal commercial terms and no less favorable to our Group than those offered by Independent Third Parties, for any specific financial leasing transaction proposed with the Far East Horizon Connected Persons, our Group will obtain quotations and compare the terms from at least two independent financial leasing service providers. The following factors will be taken into account to determine whether the proposed transaction is on normal commercial terms: interest rate, credit granted, payment terms, background and financial condition of the financial leasing service providers as well as their capability to meet the requirements of our Group.

CONNECTED TRANSACTIONS

The responsible management team will only approve the quotation from the Far East Horizon Connected Persons and the entering into of the agreement for the transaction upon completion of the aforesaid procedures and having confirmed that the transaction is on normal commercial terms. The financing department of our Group would conduct internal monitoring over pricing under the continuing connected transactions, including the procedures carried out, from time to time and ensure that the transactions are in line with normal commercial terms.

Reasons for the transactions

Far East Horizon Group is a leading integrated service provider in China with solid experience and substantial expertise in financial leasing. During the Track Record Period, the Far East Horizon Connected Persons had provided financial leasing services to our Group in its ordinary and usual course of business. The Directors are of the view that such transactions are beneficial to our Group for the following reasons:

- (i) as compared to other independent financial leasing service providers which can only provide financial leasing service for aerial work platform, the Far East Horizon Connected Persons are capable of providing financial leasing service for a wider range of underlying assets, including neo-excavation support system, neo-formwork system and aerial work platform required by us;
- (ii) during the Track Record Period, the average interest rate of the financial leasing transactions with the Far East Horizon Connected Persons was around 4.75%, which was comparable to the average interest rate (i.e., 4.82%) offered by the independent financial leasing service providers; the average term of payment of the financial leasing transactions with the Far East Horizon Connected Persons was three years, and typically the lease payment was made quarterly (with respect to sale-leaseback) or monthly (with respect to direct leasing), which was comparable to the terms offered by the independent financial leasing service providers as set out in the paragraph headed “—Financial Leasing Agreement—Historical transaction amounts” in this section. Far East Horizon has also undertaken to our Group in the Financial Leasing Agreement that the provision of financial leasing services provided by the Far East Horizon Connected Persons to our Group shall be made on terms no less favorable than those available to its independent third party customers under comparable conditions. Given that the salient terms (mainly including prices and payment terms) of the agreements in respect of the financial leasing services provided by the Far East Horizon Connected Persons to our Group are comparable to or better than those of similar transactions provided by (a) other independent third parties to our Group, and (b) Far East Horizon Connected Persons to its independent third party customers, we expect to continue to use such services provided by the Far East Horizon Connected Persons after [REDACTED] based on our own business needs from time to time; and

CONNECTED TRANSACTIONS

- (iii) the Far East Horizon Connected Persons have developed a deep understanding of our business and operational requirements during the previous cooperation and therefore the continuation of financial leasing services is in the interests of our Group and our Shareholders as a whole.

Historical transaction amounts

During the Track Record Period, the transaction amounts (being the maximum principal payable plus lease interests) of financial leasing services provided by the Far East Horizon Connected Persons to our Group were set out below:

	Year ended December 31,		
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)
Direct leasing	414,583	181,528	Nil
Sale-leaseback	1,493,084	407,705	Nil

While we endeavor to maintain our established relationship with Far East Horizon Group, our Directors recognize the importance of expanding our financing channels with independent financial institutions with a view to sustaining long term growth. Moreover, to justify the financial independence from Far East Horizon Group, we have discretionally managed our existing financial leasing transactions with the Far East Horizon Connected Persons and actively sought for business opportunities with independent financial leasing service providers to reduce potential reliance on Far East Horizon Group. As such, the historical transaction amounts of financial leasing services provided by the Far East Horizon Connected Persons to our Group decreased year-on-year during the Track Record Period.

In 2020, we had entered into sale-leaseback transactions with four independent financial leasing service providers, the terms of which ranged from two years to three years with an interest rate ranging from 3.93% to 5.50%. In 2021, we further expanded our business cooperation and entered into sale-leaseback transactions with fifteen independent financial leasing service providers, the terms of which ranged from two years to five years with an interest rate ranging from 4.85% to 5.99%, whilst we had settled all existing financial leasing transactions with the Far East Horizon Connected Persons by the end of 2021. In 2022, we had entered into sale-leaseback transactions with twelve independent financial leasing service providers, the terms of which ranged from three years to seven years with an interest rate ranging from 3.84% to 5.85%, whilst we had not entered into new financial leasing transactions with the Far East Horizon Connected Persons in 2022. For the three years ended December 31, 2022, the transaction amounts of the financial leasing services provided by the Far East Horizon Connected Persons to our Group represented 19%,

CONNECTED TRANSACTIONS

3% and nil of the total borrowings and 61%, 10% and nil of the total lease liabilities of our Group, respectively. For the three years ended December 31, 2022, the transaction amounts of the financial leasing services provided by independent financial leasing service providers to our Group represented 12%, 31% and 33% of the total borrowings and 39%, 90% and 100% of the total lease liabilities of our Group, respectively.

Quantitative information of our Group's equipment and/or materials that were under sale-leaseback transactions and direct leasing transactions with the Far East Horizon Connected Persons during the Track Record Period was set out below:

		Year ended December 31,		
		2020	2021	2022
Total number of equipment and/or materials of our Group under sale-leaseback transactions with the Far East Horizon Connected Persons	Equipment (unit)	1,361	–	–
	Materials (ton)	228,150	96,015	–
Total number of equipment and/or materials of our Group under direct leasing transactions with the Far East Horizon Connected Persons	Equipment (unit)	1	–	–
	Materials (ton)	97,702	36,200	–
Total number of equipment and/or materials of our Group under financial leasing transactions with the Far East Horizon Connected Persons	Equipment (unit)	1,362	–	–
	Materials (ton)	325,852	132,215	–
Percentage (sale-leaseback transactions)	Equipment (unit)	99.93%	–	–
	Materials (ton)	70.02%	72.62%	–
Percentage (direct leasing transactions)	Equipment (unit)	0.07%	–	–
	Materials (ton)	29.98%	27.38%	–

CONNECTED TRANSACTIONS

During the Track Record Period, all of the equipment and/or materials under financial leasing transactions with the Far East Horizon Connected Persons have been used by our Group to provide operating leasing services to our own customers. Our Directors believe that the above arrangement is (i) in line with the business model of operating leasing and financial leasing as demonstrated in the section headed "Relationship with Controlling Shareholders - Business Delineation - Business Model Delineation" in this [REDACTED], respectively; and (ii) in line with our commercial demands, where we can obtain financing, enjoy the right of use of the leased assets during the lease term, purchase and acquire ownership of the leased assets at the end of the lease term through financial leasing arrangements with financial leasing service providers. We expect that the equipment and/or materials under financial leasing transactions with the financial leasing service providers (including the Far East Horizon Connected Persons and other independent financial leasing service providers) will be used by our Group to provide operating leasing services in the next three years.

Annual caps

Our Directors estimate that the maximum transaction amounts in relation to the Financial Leasing Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Direct leasing	68,333	65,161	55,311
Sale-leaseback	937,500	931,225	906,115

In arriving at the above annual caps, our Directors have considered:

- (i) the expected financing budget for financial leasing transactions, in particular, the budget for the balance from financial leasing transactions (including direct leasing and sale-leaseback) with the Far East Horizon Connected Persons in the next three years. Taking into account of our financing demand and budget for the three years ending December 31, 2025, we estimate that our interest-bearing liabilities will be RMB18,000 million, RMB19,300 million and RMB19,500 million as at the end of each corresponding year, among which, the estimated total balance from financial leasing transactions will be approximately RMB6,200 million, RMB5,900 million and RMB5,800 million, representing 34%, 31% and 30% of interest-bearing liabilities as at the end of each corresponding year. The budget for the balance from financial leasing transactions (including

CONNECTED TRANSACTIONS

direct leasing and sale-leaseback) with the Far East Horizon Connected Persons is expected to be RMB800 million to RMB900 million per annum, representing 13% to 15% of the estimated total balance from financial leasing transactions as at the end of the corresponding year; and

- (ii) the expected average interest rate for financial leasing transactions with the Far East Horizon Connect Persons (i.e., 4.79%), which has mainly referred to the historical average interest rate for financial leasing transactions with the Far East Horizon Connect Persons (i.e., 4.75%) and average interest rate for comparable financial leasing transactions with independent financial leasing service providers (i.e., 4.82%) during the Track Record Period.

Based on the aforesaid estimated budget for the balance from financial leasing transactions, the estimated average interest rate and normal payment schedule for financial leasing transactions with the Far East Horizon Connect Persons, our Directors estimate that the maximum transaction amount (being the maximum principal payable plus lease interests) would be approximately RMB68 million, RMB65 million and RMB55 million for direct leasing, and approximately RMB938 million, RMB931 million and RMB906 million for sale-leaseback for the three years ending December 31, 2025, respectively.

Notwithstanding that the historical transaction amounts of financial leasing services provided by the Far East Horizon Connected Persons to our Group represented a decreasing trend, and the estimated transaction amounts also indicate a decreasing trend in the next three years, after considering that (i) we have obtained credit facilities from a number of independent financial institutions without any financial assistance provided by Far East Horizon Group, which amounted to RMB16,581 million, RMB15,704 million and RMB14,100 million for the three years ended December 31, 2022, respectively. As of December 31, 2022, the total amount of the credit facilities granted by independent financial institutions without any financial assistance provided by Far East Horizon Group was approximately RMB38,216 million, and the total unutilized amount of such credit facilities was approximately RMB10,884 million; (ii) the weighted average interest rate of the above independent credit facilities were 4.45%, 4.73% and 4.38% for the three years ended December 31, 2022, respectively, which represented a general comparative advantage over the weighted average interest rate of the financial leasing transactions with the Far East Horizon Connected Persons, i.e. 4.99%, 4.75% and 4.75% for the corresponding year or period; and (iii) upon the successful [REDACTED] of our Company, approximately [REDACTED]% of the [REDACTED] from the [REDACTED] is expected to be used for our principal business operation, our Directors believe that our Group would not have difficulty in financing our business operation, and the continuous expansion of our financing channels and enhancement of our cost control will be beneficial to our Group's future interest expense, cost structure and profitability.

CONNECTED TRANSACTIONS

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Financial Leasing Agreement is more than 5%, the transactions contemplated under the Financial Leasing Agreement are subject to the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

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

- (1) we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee of the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's internal policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee of the Board, the Board and various other internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under the framework agreements for continuing connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each of the framework agreements;
- (2) the Audit Committee of the Board, the Board and various other internal departments of our Company also regularly monitor the transaction amounts and annual caps under each of the framework agreements. In addition, the management of our Company also regularly reviews the pricing policies under the framework agreements through the following review procedures:
 - (i) if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered by the Independent Third Parties providing similar services. Our Company will make enquiries from certain Independent Third Party service providers for their prices and conduct internal assessments;
 - (ii) if no market price is available, they will take into consideration of several factors such as regulatory requirements, actual needs of our Group and the industry position of the service provider in determining whether the pricing is fair and reasonable; and

CONNECTED TRANSACTIONS

- (iii) review the proposed price to ensure it is consistent with the pricing terms under the relevant framework agreements for non-exempt continuing connected transactions, and that the terms offered by the connected persons to our Group are no less favorable than those offered by the Independent Third Parties.
- (3) our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the framework agreements and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- (4) when considering pricing for connected transactions, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and the Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by our connected persons are fair, reasonable and no less favorable than those offered by the Independent Third Parties; and
- (5) when considering any renewal or revisions to the framework agreements after [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings and general meetings (as the case may be).

WAIVERS GRANTED BY THE STOCK EXCHANGE

The transactions described under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" in this section will constitute our continuing connected transactions under the Listing Rules upon [REDACTED], which will be subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transaction described under the paragraph headed "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section will constitute our continuing connected transactions under the Listing Rules upon [REDACTED], which will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], waivers from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions described under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" in this section, and the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions described under the paragraph headed "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps as stated above. Apart from the above waivers sought on the strict compliance of the announcement and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

OUR DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions as disclosed under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions as disclosed under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' VIEW

Based on the due diligence findings of the Joint Sponsors, information provided by us, confirmation by our Directors (including independent non-executive Directors) and review of the terms of the relevant framework agreements, the Joint Sponsors are of the view that (i) the continuing connected transactions described under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section have been and will be carried out in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.