

CONNECTED TRANSACTIONS

CONNECTED PERSON

The Contractual Arrangements were entered into between our Group and certain persons(s), set out below, that will become connected persons of our Company upon Listing. Accordingly, the Contractual Arrangements will become connected transactions of our Company upon the Listing.

Name of connected person	Relationship
Mr. Buzhen Zhang	Executive Director, chief executive officer and substantial shareholder of our Company

SUMMARY OF OUR CONNECTED TRANSACTIONS

Transaction	Proposed annual caps for the years ending 31 December		
	2023	2024	2025
<i>(in RMB million)</i>			
<i>Non-exempt Continuing Connected Transaction</i>			
Contractual Arrangements			
1. Contractual Arrangements	N/A	N/A	N/A

CONTRACTUAL ARRANGEMENTS

Background

As disclosed in “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we conduct a portion of our business in Mainland China through our Consolidated Affiliated Entities. We do not hold equity interests in these entities. Rather, through the Contractual Arrangements, we have effective control over our Consolidated Affiliated Entities. See “Contractual Arrangements” for further detail on the agreements underlying the Contractual Arrangements.

Listing Rules implications

The transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into by, among others, the Consolidated Affiliated Entities (or any of its subsidiaries in the future) 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, as certain parties to the Contractual Arrangements are connected persons of the Company.

Reasons for the transactions and the waiver application

The transactions underlying the Contractual Arrangements enable the Consolidated Affiliated Entities to be consolidated into our Group and allow our Group to obtain the economic benefits (including profits earned) generated by the Consolidated Affiliated Entities, which are then consolidated into our Company’s accounts and may be distributed up to our Shareholders. See “Contractual Arrangements” for further details on how consolidation and economic benefit is achieved.

As a result of the Contractual Arrangements, our Company, through WFOE, effectively has control over the Consolidated Affiliated Entities and shall be entitled of the distributions made by the

CONNECTED TRANSACTIONS

Consolidated Affiliated Entities (that do not otherwise remain with the Consolidated Affiliated Entities). Accordingly, the Consolidated Affiliated Entities are effectively treated as our subsidiaries (within the meanings ascribed under the Companies Ordinance and the Listing Rules) and form part of our Group and are no different in substance and effect from those subsidiaries in which we hold equity interest (“**Equity-held Subsidiaries**”).

Since the Consolidated Affiliated Entities are part of our Group, transactions under New Intergroup Agreements would be in the same nature as intragroup transactions typically conducted between our Company and our Equity-held Subsidiaries or among our Equity-held Subsidiaries, which would not constitute connected transactions under Chapter 14A of the Listing Rules (except if considered a connected subsidiary). Transaction fees (if any) and benefits generated under the Contractual Agreements and the Intergroup Agreements remain within our Group, which means that benefits received by the Consolidated Affiliated Entities will at the same time equally benefit our Company and be in the interests of our Shareholders as a whole. As a result of the Contractual Arrangements, no transaction fee (if any) or benefit received by the Consolidated Affiliated Entities would flow to the Registered Shareholders.

Given the above, our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements, the New Intergroup Agreements, and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business and corporate operations, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Additionally, our Directors consider that, given that our Group is placed in a unique situation with respect to the connected transactions rules in connection with the Contractual Arrangements and New Intergroup Agreements, it would be unduly burdensome and impracticable, and it would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements under Chapter 14A of the Listing Rules, including the announcement, annual reporting, and independent shareholders’ approval (including recommendation from an independent financial adviser) requirements.

WAIVER

We have applied for[, and the Stock Exchange has granted us,] in respect of the Contractual Arrangements and New Intergroup Agreements, (i) a waiver from strict compliance with the announcement, circular and independent shareholders’ approval (including recommendation from an independent financial adviser) requirements under Chapter 14A of the Listing Rules; (ii) a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) a waiver from strict compliance with the requirements to set monetary annual caps under Rule 14A.53(1) of the Listing Rules (collectively, the “**Applicable Requirements**”), 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 change to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of the independent non-executive Directors.
- (b) No change without independent Shareholders’ approval. Save as described below, no material change to the agreements governing the Contractual Arrangements will be made

CONNECTED TRANSACTIONS

without the approval of our independent Shareholders. Once the independent Shareholders’ approval of any change has been obtained, no further announcement or approval by our independent Shareholders, except for those described above, 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 will continue to be applicable.

- (c) Economic benefits and flexibility. The Contractual Arrangements will continue to enable our Group to receive economic benefits generated by our Consolidated Affiliated Entities through: (i) our Group’s option (if and when allowed under applicable PRC Laws) to acquire, all or part of, the entire equity interests in Onshore Holdcos for the minimum amount of consideration permitted by applicable PRC Laws; (ii) the business structure under which the profit generated by Onshore Holdcos is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by Onshore Holdcos under the Business Cooperation Agreements (as defined and described in “Contractual Arrangements”); and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of Onshore Holdcos.
- (d) Renewal and reproduction. On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced without being in strict compliance with the Applicable Requirements (including obtaining the approval of our independence Shareholders): (i) upon the expiry of the existing arrangements; (ii) in connection with any changes to the registered shareholders of our Consolidated Affiliated Entities in respect of their respective shareholding in or director(s) of our Consolidated Affiliated Entities; or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise (or foreign-controlled joint venture) or operating company (including branch company), engaging in a similar business as that of the Consolidated Affiliated Entities. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise (or foreign controlled joint venture) or operating company (including branch company) engaging in a similar business as that of the Consolidated Affiliated Entities which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC Laws and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

DIRECTORS’ CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (a) the Contractual Arrangements have been entered into in our ordinary and usual course of business on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (b) the terms of the Contractual Arrangements are justifiable and in line with the normal business practise of agreements of this type, and necessary to ensure that our

CONNECTED TRANSACTIONS

Consolidated Affiliated Entities remain controlled, and their economic interest may be enjoyed, by the Company on an uninterrupted basis.

SOLE SPONSOR’S CONFIRMATION

Based on the documentation provided by the Company and the Sole Sponsor’s due diligence and discussions with the Company and the PRC Legal Adviser, the Sole Sponsor is of the view that: (a) the Contractual Arrangements are fundamental to the Group’s legal structure and business operations and that the Contractual Arrangements have been entered into in the ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the terms of the Contractual Arrangements are justifiable and in line with the normal business practise of agreements of this type, and necessary to ensure that our Consolidated Affiliated Entities remain controlled, and their economic interest may be enjoyed, by the Company on an uninterrupted basis.