
CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a number of continuing connected transactions with Alipay China (as defined below) in our ordinary and usual course of business. The transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon completion of the [REDACTED].

The historical amounts disclosed in 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023 in respect of the continuing connected transactions in this section constitute only a portion of the amounts disclosed in respect of our Group’s related party transactions in 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023 as set out in Note 36(b) to the Accountant’s Report set forth in Appendix I. The related party transactions which do not constitute continuing connected transactions requiring disclosure in this section include (i) the transaction entered into with Ant Future (Hainan) Information Technology Co., Ltd. (formerly known as Ant Financial Services (Hainan) Digital Technology Co., Ltd.) (“**Ant Hainan**”), a wholly-owned subsidiary of Ant Group, as detailed below; and (ii) transactions between our Group and our Group’s associates and joint ventures and do not constitute connected transactions requiring disclosure in this section.

On December 9, 2021, as part of our continuous efforts to expand our unmanned retail business, our Group entered into a one-off sales agreement to purchase equipment parts from Ant Hainan that form part of the screen display components in our pick-and-go cabinet. The transaction between our Group and Ant Hainan amounted to approximately RMB12.4 million in 2021. Our Directors consider that the transaction was arrived at after arm’s length negotiation and that the transaction was fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Company will comply with Chapter 14A and other applicable Listing Rules after the [REDACTED] when necessary.

RELATIONSHIP WITH ALIPAY CHINA

Name	Connected relationship
Alipay.com Co., Ltd. (支付寶 (中國)網絡技術有限公司) (“ Alipay China ”)	Shanghai Yunxin, one of our Pre-[REDACTED] Investors, which is a wholly-owned subsidiary of Ant Group, will hold approximately [REDACTED]% of the issued Shares upon [REDACTED] and will therefore be a substantial Shareholder. Alipay China is a wholly-owned subsidiary of Ant Group and therefore a fellow subsidiary of Shanghai Yunxin. Alipay China is therefore an associate of Shanghai Yunxin and a connected person of our Company.

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SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Set out below is a brief summary of our continuing connected transactions and the relevant waivers sought:

Transactions	Applicable Listing Rule	Waiver sought	Proposed annual cap for the years ending December 31,		
			2023	2024	2025
<i>(RMB in millions)</i>					

Partially-exempt continuing connected transactions

Payment Services Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	15.0	20.0	26.0
Advertising Cooperation Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	13.0	53.0	53.0

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the continuing connected transactions which are exempt from circular (including independent financial advice) and independent shareholders’ approval requirements but subject to the annual reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Payment Services Framework Agreement

Description of the Transactions

On [●], 2023, our Company (for itself and on behalf of other members of our Group) entered into a framework agreement with Alipay China, pursuant to which Alipay China agreed to provide us with payment services through its payment channels so as to enable our customers to conduct online transactions via our vending machines (the “**Payment Services Framework Agreement**”). We shall, in return, pay a payment service fee to Alipay China. The precise scope of service, service fee rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties.

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Term

The term of the Payment Services Framework Agreement shall commence on the [REDACTED] and expire on December 31, 2025. The Payment Services Framework Agreement is automatically renewable upon expiry for additional three-year periods, unless terminated by written notice by either party. Our Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the Payment Services Framework Agreement is renewed.

Pricing Policy

The service fees will be determined on an arm’s length basis based on the standard service fee rates multiplied by the transaction amount paid through Alipay via our Group’s vending machines. The fee rates and calculation method shall be determined separately from time to time. In particular, Alipay China has prescribed for standard service fee rates depending on the industry of the using entity (the “**Service Fee Rate**”), all of which are published on the website operated by Alipay China. As of the Latest Practicable Date, the prevailing Service Fee Rate charged by Alipay China to our Group for Alipay is 0.6% of the transaction amount. During the Track Record Period and up to the Latest Practicable Date, the Service Fee Rate has remained at 0.6%.

Before entering into any payment agreement pursuant to the Payment Service Framework Agreement, we will take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment service providers; (ii) our consumers’ preference among different online payment service providers; and (iii) the Service Fee Rate, and we will only enter into a payment service agreement with Alipay China if (a) the terms of the agreement and quality of the payment services provided by Alipay China are no less favorable than those from other independent third party online payment service providers; and (b) it is in the best interests of our Company and the Shareholders as a whole. Further, we shall solicit one to two other online payment service providers for comparable services to determine if the price and terms offered by Alipay China are fair and reasonable, and our independent non-executive Directors will review and assess the amounts of payment service fee payable by our Group to Alipay China on an annual basis.

Historical Amounts

In 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amounts of payment service fee payable by our Group to Alipay China were approximately RMB3.8 million, approximately RMB9.3 million, approximately RMB12.0 million, approximately RMB11.6 million and approximately RMB6.1 million, respectively.

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Annual Caps and Basis of Annual Caps

For the years ending December 31, 2023, 2024 and 2025, the relevant annual caps are expected to be RMB15.0 million, RMB20.0 million and RMB26.0 million, respectively. The annual caps for the years ending December 31, 2023, 2024 and 2025 are derived with reference to (i) the historical amounts of payment service fee paid by our Group to Alipay China; (ii) given our continuous collaboration with Ant Group in the unmanned retail market, an expected upward adjustment in transaction amount with reference to an expected increase in the number of our Group’s transactions; and (iii) the estimated Service Fee Rate to be charged by Alipay China with reference to the Service Fee Rate charged by Alipay China during the Track Record Period. Taking into account the stable Service Fee Rate charged by Alipay China during the Track Record Period, our Directors have assumed such Service Fee Rate to remain stable as compared to that charged during the Track Record Period in calculating the annual caps for the service fees under the Payment Services Framework Agreement. Our Directors therefore consider that the proposed annual caps are fair and reasonable.

Reasons for the Transactions

Our Directors consider that, given that (i) Alipay China is one of the leading players in the PRC online payment service industry and many of our customers use Alipay China’s online payment services; and (ii) we have been continuously collaborating with Ant Group, such as enabling biometric authentication on our vending machines, and using Alipay China’s online payment services would continue to enhance our development as an innovative technology-based retail platform and strengthen our position in the unmanned retail market, entering into the Payment Services Framework Agreement will enable us to provide our customers with the best available payment methods and therefore enhance our customers’ satisfaction with our services.

Implications under the Listing Rules

Since the highest applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Payment Services Framework Agreement is expected to exceed 0.1% but be less than 5%, the transactions will be exempt from the circular and independent Shareholders’ approval requirements but subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

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Advertising Cooperation Framework Agreement

Description of the Transactions

On [●], 2023, our Company (for itself and on behalf of other members of our Group) entered into a framework agreement with Alipay China, pursuant to which our Group and Alipay China (for itself and on behalf of other members of Ant Group) agreed to cooperate on, including, but not limited to, advertising and promotion of payment service products of Alipay China (for example, biometric authentication payment services and merchandise recognition services) on our vending machines (the “**Advertising Cooperation Framework Agreement**”). In return for these advertising and promotion efforts, Alipay China shall pay service fees to our Group. It is envisaged that from time to time and as required, members of our Group will enter into individual agreements with Alipay China which will set out specific terms and conditions such as the precise scope of service, service fee calculation, method of payment and other details of the service arrangement.

Term

The term of the Advertising Cooperation Framework Agreement shall commence on the [REDACTED] and expire on December 31, 2025. The Advertising Cooperation Framework Agreement is automatically renewable upon expiry for additional three-year periods, unless terminated by written notice by either party. Our Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the Advertising Cooperation Framework Agreement is renewed.

Pricing Policy

The service fees will be determined on an arm’s length basis with reference to, among others, (i) the quantity of our vending machines with the relevant payment service products installed; and (ii) the number of transactions generated via the relevant payment service products on our vending machines. The fee rates and calculation method shall be determined separately from time to time. In particular, Alipay China has prescribed for standard calculation of service fees depending on the relevant payment service products and scope of service provided to them, all of which are published on the website operated by Alipay China.

Before entering into any individual agreement pursuant to the Advertising Cooperation Framework Agreement, we will take into account a number of factors, including but not limited to (i) the amount of service fees offered from Alipay China associated with installing the relevant payment service products on our vending machines (for example, biometric authentication payment services and merchandise motion sensing); (ii) the expected number of transactions generated from the relevant payment service products; and (iii) prevailing market rates from other independent third-party online payment service providers, when available, which requests for similar services. We will only enter into a service agreement with Alipay China if it is in the best interests of our Company and the Shareholders as a whole. Given that such cooperation model is not prevalent amongst other online payment service providers, we shall solicit other online payment service providers for comparable services when available to determine if the price and terms offered by Alipay China are fair and reasonable, and our independent non-executive Directors will review and assess the amounts of service fee payable by Alipay China to our Group on an annual basis.

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Historical Amounts

In 2019, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amounts of the service fees paid by Alipay China and its associates to our Group were approximately RMB159.2 million, approximately RMB30.3 million, approximately RMB35.0 million, approximately RMB30.7 million and approximately RMB0.47 million, respectively. After our Group collaborated with Ant Group to enhance the development of our service offerings in 2018, we began the mass installation of biometric authentication devices on our existing vending machines. The relatively high service fees recorded in 2019 was primarily due to the mass installation of biometric authentication devices on our existing vending machines, in which our Group received one-off service fees for transactions generated from such vending machines newly installed with biometric authentication devices. The service fees received in 2020, 2021, 2022 and the six months ended June 30, 2023 were considerably lower because our Group had lowered its pace of installing new vending machines with biometric authentication devices during the relevant period due to the then market conditions, resulting in lower one-off service fees received by our Group as mentioned above.

Annual Caps and Basis of Annual Caps

For the years ending December 31, 2023, 2024 and 2025, the relevant annual caps are expected to be RMB13.0 million, RMB53.0 million and RMB53.0 million, respectively. The annual caps for the years ending December 31, 2023, 2024 and 2025 are derived with reference to (i) the historical service fees paid by Alipay China to our Group; (ii) the expected increase in the number of vending machines of our Group which will install the relevant payment service products of Alipay China; and (iii) the standard calculation of service fees as offered by Alipay China. Even though the service fees paid by Alipay China to our Group for the six months ended June 30, 2023 was only approximately RMB0.47 million, which was due to the minimal number of new vending machines installed during the period, we expect that with the gradual recovery of the economy from the negative impacts of COVID-19, market conditions will improve for the rest of the year up to 2025, and our Group will increase its pace of installing new vending machines. The significant increase in the relevant annual cap from RMB13.0 million for the year ending December 31, 2023 to RMB53.0 million for the year ending December 31, 2024 is mainly due to an expected significant increase in the number of new vending machines of our Group, from about 10,000 in 2023 to about 30,000 in 2024. Our Directors therefore consider that the proposed annual caps are fair and reasonable.

Reasons for the Transactions

We are an unmanned retail operator in China. The arrangements contemplated under the Advertising Cooperation Framework Agreement help facilitate our Group to continue to leverage Ant Group’s expertise in internet technologies and digital infrastructure to further expand its retail channel and maximize the revenue of our Group. The continuous alliance with Alipay China will enable our Group’s activities to benefit from Alipay China’s digital ecosystem and further promote our Group as an innovative technology-based retail platform, thereby strengthening our position in the unmanned retail market.

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Implications under the Listing Rules

Since the highest applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Advertising Cooperation Framework Agreement is expected to exceed 0.1% but be less than 5%, the transactions will be exempt from the circular and independent Shareholders' approval requirements but subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

As we expect the transactions as contemplated under the Payment Services Framework Agreement to be carried out on a continuing basis and to extend over a period of time, our Directors therefore consider that strict compliance with the announcement requirement under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the announcement requirement under the Listing Rules relating to the transactions as contemplated under the Payment Services Framework Agreement, subject to the condition that the aggregate amounts of the transactions as contemplated under the Payment Services Framework Agreement for each financial year shall not exceed the relevant amounts set forth in the proposed annual caps.

Further, as we expect the transactions as contemplated under the Advertising Cooperation Framework Agreement to be carried out on a continuing basis and to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the announcement requirement under the Listing Rules relating to the transactions as contemplated under the Advertising Cooperation Framework Agreement, subject to the condition that the aggregate amounts of the transactions as contemplated under the Advertising Cooperation Framework Agreement for each financial year shall not exceed the relevant amounts set forth in the proposed annual caps.

We will comply at all times with the applicable requirements under the Listing Rules. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

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DIRECTORS’ VIEW

Our Directors (including our independent non-executive Directors) are of the view that the abovementioned continuing connected transactions have been and shall be entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better to our Group, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps for the abovementioned continuing connected transactions as described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The conflicted Directors (if any) shall be required to abstain from participation and abstain from voting in the Board meetings at which resolutions in relation to the abovementioned continuing connected transactions are discussed.

THE JOINT SPONSORS’ VIEW

The Joint Sponsors are of the view (i) that the continuing connected transactions described in “– Partially-exempt Continuing Connected Transactions” above in this section have been and shall be entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better to our Group, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) that 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.