

## CONNECTED TRANSACTIONS

### OVERVIEW

We have entered into certain agreements with certain connected persons of our Company. Following the Listing, the transactions contemplated under such agreements will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

<u>Name</u>	<u>Connected Relationship</u>
Mr. Wang	Executive Director and Chairman of the Board of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Ji	Executive Director and chief executive officer of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Beisen Zongheng	A company with Beisen Asset, an investment vehicle owned as to 50% by Mr. Wang and 50% by Mr. Ji and controlled by Mr. Wang and Mr. Ji, acting as its general partner, and therefore a connected person of our Company under Rule 14A.07(4)
Beisen Investment	A company with Beisen Asset, an investment vehicle owned as to 50% by Mr. Wang and 50% by Mr. Ji and controlled by Mr. Wang and Mr. Ji, acting as its general partner, and therefore a connected person of our Company under Rule 14A.07(4)
Onshore Holdco	A company owned as to approximately 38.12% by Mr. Wang, approximately 38.12% by Mr. Ji, approximately 14.34% by Beisen Zongheng and approximately 0.37% by Beisen Investment, and therefore a connected person of our Company under Rule 14A.07(4)

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

<u>Transactions</u>	<u>Historical amounts</u> <i>(RMB' million)</i>			<u>Proposed annual caps for financial year</u> <i>(RMB' million)</i>			<u>Expiry date of the respective agreement</u>	<u>Applicable Listing Rules</u>	<u>Waivers sought</u>
	<u>For the year ended March 31,</u>			<u>For the year ending March 31,</u>					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>			
<i>Non-exempt continuing connected transactions</i>									
<i>Contractual Arrangements</i>									
Contractual Arrangements . . . . .	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14A.34 to 36, 14A.49, 14A.52 to 53, 14A.59, and 14A.105	Requirements as to announcement, circular, independent Shareholders' approval, annual caps, limiting the period of agreement to a fixed term under Chapter 14A of the Listing Rules

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### Contractual Arrangements

#### *Background for the Contractual Arrangements*

As disclosed in the section headed “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we are prohibited from directly owning any equity interest in Onshore Holdco. Therefore, in order for the Group to effectively control and enjoy the entire economic benefit of Onshore Holdco, a series of Contractual Arrangements have been entered into amongst Beijing WFOE, the Onshore Holdco, and the Registered Shareholders. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Onshore Holdco in consideration for the services provided by the Beijing WFOE; (ii) exercise effective control over Onshore Holdco; and (iii) hold an exclusive option to purchase all or part of the shares in or all or part of the assets of or inject registered capital into Onshore Holdco when and to the extent permitted by the PRC laws.

See the section headed “Contractual Arrangements” for details of the agreements comprising the Contractual Arrangements.

#### *Principal Terms of the Transactions*

The Contractual Arrangements consist of five types of agreements: (a) the exclusive business cooperation agreement; (b) the loan agreements; (c) the exclusive option agreement; (d) the proxy agreement; and (e) the spouse undertakings. See “Contractual Arrangements” for detailed terms of the Contractual Arrangements.

#### *Listing Rule Implications*

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected persons”, Onshore Holdco will be treated as our Company’s subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons”. Each of Mr. Wang and Mr. Ji is an executive Director. Beisen Zongheng and Beisen Investment are controlled by Mr. Wang and Mr. Ji. Mr. Wang, Mr. Ji, Beisen Zongheng and Beisen Investment are the registered shareholders of our Onshore Holdco. As such, Onshore Holdco is an associate and a connected person of each of Mr. Wang and Mr. Ji under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, 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 and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that 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, among others, by our Onshore Holdco 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, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the

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Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

### **WAIVER GRANTED BY THE STOCK EXCHANGE IN RESPECT OF THE CONTRACTUAL ARRANGEMENTS**

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

#### **No change without independent non-executive Directors' approval**

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to Beijing WFOE) will be made without the approval of our independent non-executive Directors.

#### **No change without independent Shareholders' approval**

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the 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 however continue to be applicable.

#### **Economic Benefits and flexibility**

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Onshore Holdco through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the shares in the Onshore Holdco for consideration stated in the exclusive option agreements, (ii) the business structure under which the profit generated by Onshore Holdco substantially retained by our Group, such that no annual cap shall be set out for the amount of service fees payable to Beijing WFOE by Onshore Holdco under the 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 Holdco.

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### **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 Onshore Holdco, on the other hand, that framework may be renewed and/ or reproduced without obtaining the approval of our Shareholders: (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the Registered Shareholders or directors of Onshore Holdco, or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in a business similar or relating to those of our Group. Such renewal and/ or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/ or reproduction of the Contractual Arrangements, however be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

### **Ongoing reporting and approvals**

We will disclose details relating to the Contractual Arrangements on an on-going basis:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Onshore Holdco to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Onshore Holdco during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- our Company's auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Onshore Holdco to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group;

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- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, Onshore Holdco will be treated as our Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of the Onshore Holdco and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, Onshore Holdco), and transactions between these connected persons and our Group (including for this purpose, Onshore Holdco), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- Onshore Holdco will undertake that, for so long as the Shares are listed on the Stock Exchange, Onshore Holdco will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditor’s review of the connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the Contractual Arrangements, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Apart from the requirements for three-year contractual term, setting annual cap, announcement, and/or independent Shareholders’ approval, of which waivers are sought above, we will comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements.

### **DIRECTORS’ AND JOINT SPONSORS’ VIEW**

The Directors (including the independent non-executive Directors) of our Company are of the view that (i) the Contractual Arrangements as set out above are important to our legal structure and business operations, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and the terms are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years as the purpose of the Contractual Arrangements is to provide stability and certainty to the business and legal structure of the Company and that therefore the indefinite term of those transactions is fair and reasonable, and in the interests of Shareholders as a whole.

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above non-exempt continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors; and (iii) participated in the due diligence and discussions with the management of the Group. Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements, for which waivers have been sought, have been entered into in the ordinary and usual course of our business of the Group, on normal commercial terms or better, and the terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) policies of the Consolidated Affiliated Entity can be effectively controlled by Beijing

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WFOE; (ii) Beijing WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entity; and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented on an uninterrupted basis.