

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

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

CONNECTED PERSONS

Following the [REDACTED], the following parties, which have entered into certain written agreements with our Group under the Contractual Arrangements, will be connected persons of our Group:

<u>Name</u>	<u>Connected Relationship</u>
Mr. Sun	an executive Director and a Controlling Shareholder of our Company
Jiangsu Hanju	Mr. Sun’s associate holding 76.1% equity interest in Cloud Factory
Wuxi Bangtai	Mr. Sun’s associate holding 23.9% equity interest in Cloud Factory

CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Contractual Arrangements

Background for the Contractual Arrangements

As referred to the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in the PRC, we conduct our business operations indirectly in the PRC through our Consolidated Affiliated Entities while complying with applicable PRC laws and regulations. Through the Contractual Arrangements, we exercise effective control over the Consolidated Affiliated Entities. The Contractual Arrangements enable us to (i) receive the economic benefits generated by the Consolidated Affiliated Entities; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an irrevocable and exclusive right to require (1) each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory; (2) Cloud Factory to transfer any or all of the assets it held; (3) Cloud Factory to transfer any or all their equity interests in any of its subsidiaries; and/or (4) any of the subsidiaries of Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws. For details, please refer to the section headed “Contractual Arrangements” in this document.

CONNECTED TRANSACTIONS

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

Principal terms of the transactions

The Contractual Arrangements comprise the following agreements: Exclusive Business Cooperation Agreements, Powers of Attorney, Exclusive Option Agreements, Equity Pledge Agreements and spousal undertakings by the respective spouse of the individual Registered Shareholder. Such agreements and the continuing connected transactions (contemplated thereunder are referred to in the section headed “Contractual Arrangements” in this document.

Listing rules implications

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

Reasons for the waiver application and the view of our Directors on the continuing connected transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business; and (ii) the Contractual Arrangements are on normal commercial terms, in the ordinary and usual course of our Group’s business, fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our Group’s structure, whereby the financial results of the Consolidated Affiliated Entities are consolidated into our Group’s financial statements as if they were our Group’s subsidiaries, and the economic benefits of their business flow to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

CONNECTED TRANSACTIONS

In addition, given the Contractual Arrangements were entered into prior to the [REDACTED] and are disclosed in this document, and potential investors of our Company will participate in the [REDACTED] on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements in respect thereof immediately after [REDACTED] would add unnecessary administrative costs to our Company.

APPLICATION FOR AND CONDITIONS FOR WAIVER

In view of the above, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange [has granted], a waiver from (i) strict compliance with 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 the Shares are listed on the Stock Exchange subject however 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 Wuxi Lingjingyun thereunder) will be made without the approval of our independent non-executive Directors.
- (b) *No Change without Independent Shareholders’ Approval* — Save as described in “— Renewal and Reproduction” below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company’s independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as referred to in the paragraph headed “Connected Transactions — Application for and Conditions for Waiver — (d) Renewal and reproduction” of this section) will however continue to be applicable.
- (c) *Economic Benefits Flexibility* — The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through our Group’s option (if and when so allowed under the applicable PRC laws) to acquire, all or part of: (i) the equity interests in the Consolidated Affiliated Entities held by the Registered Shareholders for a nominal price or the minimum amount of consideration permitted by applicable PRC laws and regulations; (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Wuxi Lingjingyun by Cloud Factory and its subsidiaries under the Exclusive

CONNECTED TRANSACTIONS

Business Cooperation Agreements; and (iii) our Group’s right to control the management and operation of, as well as, in substance, the voting rights of Cloud Factory and its subsidiaries.

- (d) *Renewal and Reproduction* — On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company 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.
- (e) *Ongoing Reporting and Approvals* — Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
- i. The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules.
 - ii. Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our 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 relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the Consolidated Affiliated Entities has been substantially retained by Wuxi Lingjingyun; and (ii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.
 - iii. Our Company’s auditors will carry out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews 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 on the transactions carried out pursuant to the Contractual

CONNECTED TRANSACTIONS

Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, at least 10 Business Days before our Company bulk prints its annual report, reporting their findings whether the transactions carried out pursuant to the Contractual Arrangements 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 the Consolidated Affiliated Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to our Group.

- iv. For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their respective associates will be treated as our Company’s connected persons. As such, transaction between any of our subsidiaries and these Consolidated Affiliated Entities shall not constitute connected transactions, but transactions between these connected persons and our Group (including for this purpose the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- v. The Consolidated Affiliated Entities undertake that, for so long as the Shares are listed on the Stock Exchange, they will provide our Group’s management and our Company’s auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company’s auditors’ on the connected transactions.

SOLE SPONSOR’S AND DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements as detailed in the paragraph headed “Connected Transactions — Continuing Connected Transactions — The Contractual Arrangements” of this section 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 or better and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and with respect to the term of the Contractual Arrangements which is of a duration of longer than three years, taking into consideration the reasons for entering into the Contractual Arrangements with details set out in this section above, it is reasonable for these arrangements to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

Based on the relevant documents and information provided by our Group and reviewed by the Sole Sponsor, the necessary representations and confirmations provided by our Company and the Directors to the Sole Sponsor and the Sole Sponsor’s participation in the due diligence and

CONNECTED TRANSACTIONS

discussions with the management of our Company and the PRC Legal Adviser, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group’s legal structure and business operations.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Sole Sponsor is of the view that it is justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Wuxi Lingjinyun; (ii) Wuxi Lingjinyun can obtain the economic benefits derived from the Consolidated Affiliated Entities; and (iii) any possible leakage of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

The Sole Sponsor is of the view that the above non-exempt continuing connected transactions described above, and for which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.