
CONNECTED TRANSACTIONS

We have entered into certain agreements with persons that will, upon the [REDACTED], become our connected persons (as defined under Chapter 14A of the Listing Rules). Accordingly, following the [REDACTED], the transactions contemplated thereunder will constitute our continuing connected transactions under the Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following sets forth our connected persons that we have entered into transactions with, which will constitute continuing connected transactions upon the [REDACTED], and the details of their relationship with our Group:

- Mr. SONG, Mr. LI Jinlong, Mr. ZHU Min, Mr. DUAN Jianbo and Mr. LI Yuejun are our Co-Founders, executive Directors and Controlling Shareholders; and
- Beijing Changxing is our PRC operating entity that is owned by our Co-Founders, executive Directors and Controlling Shareholders, namely Mr. SONG, Mr. LI Jinlong, Mr. ZHU Min, Mr. DUAN Jianbo and Mr. LI Yuejun.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following sets forth the non-exempt continuing connected transactions with our Group following the [REDACTED].

As Beijing Changxing and the Registered Shareholders are our connected persons under the Listing Rules and one or more of the applicable percentage ratios of transactions in respect of the Contractual Arrangements is estimated to be more than 5%, the transactions under the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Group and will be subject to reporting, announcement, independent shareholders’ approval, circular and annual review requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements,” due to regulatory restrictions on foreign ownership in the PRC, we cannot directly or indirectly, hold any equity interest in our Consolidated Affiliated Entities which hold certain licenses and permits required for the operation of our businesses. As a result, our Group, through WFOE, has entered into Contractual Arrangements with Beijing Changxing and the Registered Shareholders to enable us to, among others, (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by our Company thereto; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets in the Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of various types of documents. For detailed terms of these documents, see “Contractual Arrangements.”

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Listing Rules Implications

Beijing Changxing is owned as to 100% by our Co-Founders, and our Co-Founders are our executive Directors and Controlling Shareholders, therefore, Beijing Changxing and our Co-Founders are connected persons of our Company under Rule 14A.07 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 following the [REDACTED].

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, that such transactions have been and shall 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 between our Consolidated Affiliated Entities 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 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 announcement and independent shareholders’ approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with (i) the announcement, circular and 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 setting a fixed term of no more than three years for the Contractual Arrangements under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange subject to the following conditions:

(a) No change without independent non-executive Directors’ approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders’ approval

Save as described in paragraph (d) 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

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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 set out in paragraph (e) below) 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: (i) our Group’s option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests and assets in our Consolidated Affiliated Entities for consideration equivalent to the minimum purchase price permitted by applicable PRC laws and regulations or at the appraised value of the acquired assets if required by PRC laws and regulations; (ii) the business structure under which all the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit in respect of the preceding financial years, operating costs, expenses, taxes and other statutory contributions is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE under the exclusive business operation agreement; and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(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 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 executives 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

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual reports and accounts in accordance with relevant provisions of the Listing Rules;

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- 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, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contract entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the 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 annually on the transactions 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 Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group, other than those under the Contractual arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entities will undertake that, for so long as our Shares are [REDACTED] on the Stock Exchange, our Consolidated Affiliated Entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the requirements of (1) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements, (2) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (3) limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are [REDACTED] on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, and the

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directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

DIRECTORS’ VIEWS AND JOINT SPONSORS’ VIEWS

Our Directors (including the independent non-executive Directors) are of the view that the transactions under the Contractual Arrangements have been entered into and are conducted (1) in the ordinary and usual course of business of our Group, (2) on normal commercial or better terms, (3) are fair and reasonable and in the interests of our Company and our Shareholders as a whole, (4) (i) the transactions contemplated under the Contractual Arrangements are fundamental to our legal structure and business operation, and (ii) in respect of the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (a) the financial and operation of our Consolidated Affiliated Entities can be effectively controlled by the WFOE, (b) the WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (c) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any New Intergroup Agreements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the 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 reporting, announcement, circular and independent shareholders’ approval requirements.

Based on the relevant documents and information provided by our Group and reviewed by the Joint Sponsors, having made reasonable inquiries and after due and careful consideration, the Joint Sponsors (i) are of the view that the non-exempt continuing connected transactions described above, for which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal or better commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) are not aware of anything to cast doubt on the Directors’ view that the Contractual Arrangements are fundamental to the Group’s legal structure and business operation based on the advice of the Joint Sponsors’ PRC legal advisors. 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 to ensure that (1) the financial and operation of the Consolidated Affiliated Entities can be effectively controlled by the WFOE, (2) the WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (3) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.