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## CONNECTED TRANSACTIONS

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During the Track Record Period, our Company entered into a number of related party transactions, details of which are set out in Note 33 of the Accountant's Report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on commercial terms.

Upon the Listing, the following transactions will constitute continuing connected transactions with our Company under the Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions have been carried out by our Group and the connected persons of our Group during the Track Record Period and are expected to continue after the Listing, which will constitute continuing connected transactions which are not exempt from all reporting, announcement and/or independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules upon the Listing:

#### Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in this prospectus, the business operation of Guangzhou Baitian constitutes a business restricted to foreign investment in the PRC, and therefore we cannot directly acquire equity interests in Guangzhou Baitian. As a result, our Group has entered into a series of agreements narrowly tailored to provide our Group with control over Guangzhou Baitian and grant our Group the right to acquire the equity interests of Guangzhou Baitian when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, our Group supervises and controls the business operation of Guangzhou Baitian and derives economic benefit from Guangzhou Baitian.

The Contractual Arrangements consist of four agreements: (a) Exclusive Business Consultation and Service Agreement, (b) the Proxy Agreement, (c) the Share Pledge Agreement and (d) the Exclusive Option Agreement. Please refer to the section headed "Contractual Arrangements" for detailed terms of these agreements. The PRC legal advisers of our Company have advised that the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties and are enforceable under applicable PRC laws and regulations.

#### Relevant Connected Persons under the Contractual Arrangements

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group:

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Name	Connected relationship
Mr. DAI . . . . .	Mr. DAI is a Substantial Shareholder and our Director and therefore our connected person pursuant to Rule 14A.11(1) of the Listing Rules.
Mr. WU . . . . .	Mr. WU is a Substantial Shareholder and our Director and therefore our connected person pursuant to Rule 14A.11(1) of the Listing Rules.
Mr. LI . . . . .	Mr. LI is our Director and therefore our connected person pursuant to Rule 14A.11(1) of the Listing Rules.
Mr. CHEN . . . . .	Mr. CHEN is our Director and therefore our connected person pursuant to Rule 14A.11(1) of the Listing Rules.
Mr. WANG . . . . .	Mr. WANG is our Director and therefore our connected person pursuant to Rule 14A.11(1) of the Listing Rules.
Guangzhou Baitian . . . .	Guangzhou Baitian is owned as to 46.92% by Mr. DAI and is therefore an associate of Mr. DAI and our connected person, among other factors, pursuant to Rule 14A.11(4) of the Listing Rules.

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### **The view of our Directors on the Non-exempt Continuing Connected Transactions**

Our Directors, including our Independent Non-Executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms in the ordinary and usual course of our Group's business and are 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 Guangzhou Baitian is consolidated into our Group's financial results as if it was our Group's wholly-owned subsidiary, and all the economic benefits of its business flows to our Group, places our Group in a special position in relation to the connected transactions. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if the continuing connected transactions under the Contractual Arrangements are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the requirement for publishing an announcement and obtaining approval of the independent Shareholders.

In addition, given that the Contractual Arrangements were entered into prior to the Listing and the adoption of Contractual Arrangements and the key terms thereof have been disclosed in this prospectus, potential investors of our Company will participate in the Global Offering based on such disclosure. Our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after Listing would be unnecessary and add to extra administrative costs to our Company.

Furthermore, to ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

- (a) as part of the internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequent than on a quarterly basis. Our Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;
- (b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) will be discussed at such regular meetings which will be no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and
- (d) our Company shall comply with the conditions prescribed under the waiver given by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

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### Waiver Application

Pursuant to Rule 14A.42(3) of the Listing Rules, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e., an annual cap) for the fees payable to our Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject to the following conditions:

- (a) *No change without Independent Non-Executive Directors' approval:* Except as described below, no changes to the terms of the Contractual Arrangements will be made without the approval of the Independent Non-Executive Directors.
- (b) *No change without independent Shareholders' approval:* Except as described below, no changes to the terms of 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, 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 (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 Guangzhou Baitian 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 in Guangzhou Baitian at the lowest price permissible under the PRC laws; (ii) the business structure under which the revenue generated by Guangzhou Baitian is substantially retained by our Group; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Guangzhou Baitian.
- (d) *Renewal and reproduction:* The framework of the Contractual Arrangements 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 that our Group may wish to establish, without obtaining the approval of Shareholders, on substantially the same terms and conditions as the Contractual Arrangements as described under the section headed "Contractual Arrangements." The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that our Group may establish upon renewal and/or reproduction of the Contractual Arrangements will be treated as our Group's connected persons 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 the 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:
  - Details of the Contractual Arrangements will be disclosed in our Group's annual reports 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 Group'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 so that the revenue generated by Guangzhou Baitian has been mainly retained by our Group; (ii) no dividends or other distributions have been made by Guangzhou Baitian to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between

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our Group and Guangzhou Baitian 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 the Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions under the Contractual Arrangements 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 and will provide a letter to our Directors with a copy to the Stock Exchange, at least ten Business Days before the bulk-printing of the annual report of our Group, 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 Guangzhou Baitian to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purposes of Chapter 14A of the Listing Rules, Guangzhou Baitian will be treated as our Company's wholly-owned subsidiary, and its directors, chief executives or substantial shareholders and their respective associates (as defined in the Listing Rules) will be treated as connected persons of our Company 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.
- Guangzhou Baitian will undertake that, for so long as the Shares are listed on the Stock Exchange, Guangzhou Baitian 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.

### **Confirmation from the Joint Sponsors**

The Joint Sponsors are of the view that the terms of the agreements constituting the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole. With respect to the terms of the agreements constituting the Contractual Arrangements, it is a justifiable and normal business practice to ensure that (i) the financial and operational results of Guangzhou Baitian can be effectively controlled by the Group, (ii) the Group can enjoy all the economic benefits of Guangzhou Baitian and exercise management control over the operations of Guangzhou Baitian and (iii) any possible leakages of assets and values of Guangzhou Baitian to Shareholders can be prevented.