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Alpha Professional Holdings Limited

阿爾法企業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 948)

(1) DISCLOSEABLE TRANSACTION ACQUISITION OF 70% ECONOMIC BENEFIT IN THE TARGET COMPANY; AND (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS

Independent Financial Adviser



Gram Capital Limited
嘉林資本有限公司

THE ACQUISITION

The Board is pleased to announce that on 27 June 2024 (after trading hours), members of the Group, namely the Creditor and WFOE, entered into the Debt Settlement Agreement with the Debtor and the Registered Shareholder, pursuant to which the Registered Shareholder agree to transfer the Economic Benefit and the rights of the Shareholder's Loan to the WFOE in consideration of the Creditor agreeing to discharge the trade debts in the sum of AUD5,057,000 (equivalent to approximately HK\$26,245,830).

Upon Completion, the Target Company will be accounted as a 70%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

The Company will make a further announcement within fifteen (15) business days after the publication of this announcement in compliance with Rule 14.60A of the Listing Rules.

THE CONTRACTUAL ARRANGEMENTS

The Target Company is principally engaged in the business of, among others, e-commerce in the PRC and its business is subject to foreign investment prohibitions under current PRC laws and regulations.

In light of the aforementioned prohibition on foreign investment, the establishment of the Contractual Arrangements among the WFOE, the Target Company and the Registered Shareholder is necessary for the Group to carry out the business of the Target Company in the PRC. Pursuant to the Contractual Arrangements, substantial and material business decisions of the Target Company will be instructed and supervised by the Group, through the WFOE, and risks arising from the business of the Target Company are also effectively borne by the Group as a result of the Target Company being treated as if a 70%-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Contractual Arrangements

Upon Completion, the Target Company will account as a 70%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

The Registered Shareholder will become a substantial shareholder of the Target Company holding 99% equity interest in the Target Company and therefore a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. As such, the Contractual Arrangements would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board has approved the transactions under the Contractual Arrangements and the Directors (including the independent non-executive Directors) have also confirmed that the terms thereof are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the transactions under the Contractual Arrangements are subject to the reporting and announcement requirements applicable to connected transactions, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

Waiver from strict compliance with the Listing Rules

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the requirement of fixing the term of the Contractual Arrangements under Rule 14A.52 of the Listing Rules and (ii) the requirement of setting a maximum aggregate annual cap for the fees payable by the Target Company to the WFOE under the Contractual Arrangements under Rule 14A.53 of the Listing Rules.

BACKGROUND

The Group's principal business activities include, among others, trading of milk powder and baby foods. In the course of carrying out such business, the Debtor, an Independent Third Party, incurred, among others, a trade debt for the milk products supplied by the Group in the sum of AUD5,057,000 (equivalent to approximately HK\$26,245,830). Immediately prior to the entering into of the Debt Settlement Agreement, the Trade Debt remained outstanding.

THE DEBT SETTLEMENT AGREEMENT

The Board is pleased to announce that on 27 June 2024 (after trading hours), members of the Group, namely the Creditor and the WFOE, entered into the Debt Settlement Agreement with the Debtor and the Registered Shareholder, pursuant to which the Registered Shareholder agree to transfer the Economic Benefit and the rights of the Shareholder's Loan to the WFOE in consideration of the Creditor agreeing to discharge the Trade Debts.

The principal terms of the Debt Settlement Agreement are set out below:

Date

27 June 2024 (after trading hours)

Parties

Creditor	:	Willis Trading Limited
Debtor	:	Prime Global Trading Pty Ltd
Registered Shareholder	:	Mr. Zhang Xuekun (張學坤)
WFOE	:	Hangzhou Mingandi E-commerce Co., Ltd* (杭州明安迪電子商務有限公司)

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Debtor, the Registered Shareholder and their respective ultimate beneficial owners are Independent Third Parties.

Subject matters

Subject to the terms and conditions of the Debt Settlement Agreement, the Registered Shareholder shall transfer, and the Creditor shall acquire, the Economic Benefit and the rights of Shareholder's Loan through the WFOE free from all Encumbrances and together with all rights attaching thereto including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date. In consideration thereof, the Creditor shall unconditionally and irrevocably discharge the Trade Debts in full and such Trade Debts shall be deemed to be paid in full upon Completion.

Consideration

The consideration for the transfer of the Economic Benefit and the rights of the Shareholder's Loan shall be the discharge of the Trade Debts in the sum of AUD5,057,000 (equivalent to approximately HK\$26,245,830) (the "**Consideration**"), with approximately AUD4,537,293 and AUD519,707 being the consideration for the Economic Benefit and the Shareholder's Loan, respectively.

Basis of Consideration

The Consideration was arrived after arm's length negotiations among the parties to the Debt Settlement Agreement and was determined with reference to (1) the valuation report (the "**Valuation Report**") prepared by Norton Appraisals Holdings Limited, an independent valuer (the "**Independent Valuer**") which, according to the Valuation Report, as at 31 March 2024 (the "**Valuation Benchmark Date**"), the appraised value of 100% of the issued share capital in the Target Company was approximately RMB37,310,000 (equivalent to approximately HK\$39,921,700) and (2) the principal amount of the Shareholder's Loan.

The Valuation Report

A summary of the Valuation Report is set out as follows:

(1) The valuation approach and method used by the valuer and the reasons for selection

The Independent Valuer had considered the use of market approach, income approach and asset approach of valuation for the purpose of carrying out the valuation, and was of the view that

- (a) market approach was not applicable as there were insufficient relevant comparable transactions or listed companies that are similar enough in terms of nature and size of business, product types, and development stage to the Target Group to form a reliable basis for the Independent Valuer's opinion. In the past 3 years, the Target Group only operated with limited scale by the decision of shareholders. Historical financial information did not reflect its economic benefits potentials. It was difficult to identify sufficient public companies that have similar characteristics to the Target Group; and

- (b) asset approach was not appropriate as carrying amounts of the assets on book ignores the economic benefits of the business as a whole, such as the combination of tangible and intangible assets.

Accordingly, the Independent Valuer was of the view that the income approach took into account various business characteristics, such as business model, product pipeline, strength, growth prospects, operation, capital structure and risk factors, and was able to deliver a specific valuation for the Target Group. Thus, the Independent Valuer relied on the income approach in arriving at its opinion and has been provided with the cash flow forecasts of the Target Group for the next seven years.

Based on the above, the Directors are of the view that the valuation methodology adopted by the Independent Valuer is fair and reasonable.

As the discounted cash flow method of the income approach was applied in the valuation, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, the requirements under Rule 14.60A of the Listing Rules are applicable. The Company will make a further announcement within fifteen (15) business days after the publication of this announcement in compliance with Rule 14.60A of the Listing Rules.

(2) The scope of work performed by the valuer, limitation thereon and the reasons for such limitations

Cash flow forecast

In carrying out the valuation of the Target Group, the Independent Valuer was provided with the cash flow forecasts of the Target Group. Key financial forecasts include (a) sales of milk powder, food, and beverage on e-commerce platforms, (b) cost of sales consisting of the material cost of the goods sold, (c) other operating income derived from the provision of integrated marketing solutions such as big data, advertising and marketing services, (d) operating costs comprising selling and distribution expenses, administration expenses, platform maintenance expenses, premise rental and other operation related expenses, (e) applicable tax rate of 25.0%, (f) working capital investments consisting of trade and other receivables, and trade and other payables and (g) capital expenditure estimated for the purchase and maintenance of business equipment.

Revenue growth is driven by the increase in number of brand shops on e-commerce platforms and sales per brand shop. Projected number of brand shops and sales per shop refer to sales data of the industry and number of potential clients on hand. Gross margin is in line with industry average level and expands along with the increase in sales. Other operating income is corresponding to revenue and therefore grows in line with revenue. Operating costs are projected based on the headcounts and relevant expenses required to achieve projected sales growth. Working capital is projected according to credit terms of the industry. Capital expenditure is projected based on headcounts and general requirements of the underlying business.

Discount rate

The Independent Valuer had adopted the weighted average cost of capital (“WACC”), being the average cost of debt and equity financing weighted by its respective use. The Independent Valuer was of the view that the cost of equity and the cost of debt were 20.7% and 5.5%, respectively, based on the following:

Calculation of cost of equity

Risk-free rate ⁽¹⁾	3.5%
Equity Beta ⁽²⁾	0.9
Market risk premium ⁽³⁾	5.5%
Country risk premium ⁽⁴⁾	0.8%
Size premium ⁽⁵⁾	4.7%
Other risk premium ⁽⁶⁾	7.0%
Cost of equity	20.7%

Notes:

- (1) Estimated long-term risk-free rate published by Kroll;
- (2) Beta is estimated with reference to beta of comparable companies;
- (3) Estimated long-term premium published by Kroll;
- (4) Additional risk involved in investing in China with reference to the Country Default Spreads and Risk Premiums published by Aswath Damodaran, the professor of finance at the Stern School of Business at New York University;
- (5) With reference to figures published by Kroll; and
- (6) Other risk premium is added with respect to uncertainties of cash flow forecasts, higher operation risks and other specific risks relative to the comparable companies.

Comparable Companies for the calculation of equity beta

Company name	Stock Code	Unlevered beta
Am Group Holdings Ltd	1849.HK	0.49
UNQ Holdings Ltd	2177.HK	0.28
Baozun Inc	9991.HK	0.74
NanJi E-Commerce Co Ltd	002127.SZ	0.79
Beijing Zhidemai Technology Co Ltd	300785.SZ	0.99
Hangzhou Onechance Tech Corp	300792.SZ	1.01
Hangzhou Raycloud Technology Co Ltd	688365.SS	1.21
Shanghai Lily & Beauty Cosmetics Co Ltd	605136.SS	0.88
Median unlevered beta		0.83
Target debt to equity ratio		6%
Applicable tax rate		25.0%
Relevered beta		0.87

*(= unlevered beta * (1 + (1 – tax rate) x debt to equity ratio))*

Source: LSEG Workspace, Norton Appraisals

Calibration of WACC

Weight of debt ^(a)	6%
Cost of debt ^(b)	5.5%
Applicable tax rate ^(c)	25.0%
Weight of equity ^(a)	94%
Cost of equity	20.7%
WACC	19.7%

Notes:

- (a) Derived from the target debt to equity ratio set out above;
- (b) Estimated borrowing rate of the Target Group; and
- (c) Effective tax rate of the Target Group.

(3) The nature and source of information relied upon

In carrying out the valuation, the Independent Valuer considered the audit report of the Target Company, the cash flow forecast of the Target Group, the list of trademarks and domain names held by the Target Group, the historical operation information of the Target Group, business plan of the Target Group and the economy and industry outlook.

(4) Key inputs and assumptions, and how they were determined and translated into the appraised value

A summary of the key and specific assumptions for the cash flow forecasts are set out as follows:

	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Average number of core brand shops	7	12	16	20	23	26
Sales per core brand shop per year	2,500,000	3,000,000	4,000,000	5,000,000	5,700,000	5,900,000
Average number of POP brand shops	30	90	150	200	230	250
Sales per POP brand shop per year	150,000	250,000	350,000	400,000	450,000	470,000
Headcounts	19	24	29	33	37	37
Other income as % of revenue	0.0%	0.0%	0.6%	1.2%	1.7%	1.9%
Working capital as % of revenue	-3.8%	-3.7%	-3.5%	-3.4%	-3.4%	-3.4%
Capex as % of revenue	0.9%	0.3%	0.2%	0.1%	0.1%	0.1%
Revenue growth	74%	166%	99%	55%	30%	15%
Gross margin	4.7%	5.8%	6.8%	7.8%	7.8%	7.8%
EBITDA margin	-12.6%	-2.5%	2.3%	5.0%	6.1%	6.6%
Net margin	-12.7%	-2.6%	1.6%	3.7%	4.5%	4.9%

The general assumptions adopted for the valuation are as follows:

- (a) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;
- (b) there will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel, and technical staff to support its ongoing operations and developments;
- (c) there will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- (d) there will be no major change in the political, legal, economic, or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- (e) interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

(5) **The appraised value, the reasons for conclusions reached and effective date of valuation**

Equity Value Adjustment

In order to arrive at final equity value, enterprise value of the Target Group derived from the method and assumptions set out above are further adjusted for the cash balance, outstanding debt, minority interest, non-operating assets and liabilities, and discount for lack of marketability (“DLOM”).

DLOM

According to the Valuation Report, a major difference between a closely-held private company’s common shares and those of its publicly traded comparable companies is its lack of marketability – the capability and ease of transfer or salability of an asset, business, business interest, or security. It is not uncommon to see that when a private company’s shareholder tries to liquidate his position, the cost and time consumed are relatively more significant than a public company’s shareholder would have incurred, and as a result, it is intuitive that a share in a private company is usually worth less than an otherwise comparable share in a public company.

Following the reason just stated, a DLOM should be employed to reflect the Target Group’s lack of marketability, and in this valuation assignment, the Independent Valuer made reference to the Stout Restricted Stock Study (the “**Stout Study**”). The Stout Study indicates a median DLOM of 15.7% for private equity based on empirical studies, which was adopted for the valuation.

The valuation is calibrated as follows:

	<i>RMB’000</i>
Value of forecasted period	14,910
Terminal value	<u>31,207</u>
Enterprise value	46,117
Adjustment for:	
Surplus cash	–
Debt	(1,367)
Minority interest	(490)
Non-operating assets/(liabilities)	<u>–</u>
Equity value (marketable, controlling basis)	44,260
DLOM	<u>15.7%</u>
Equity value (non-marketable, controlling basis) (rounded)	37,310

According to the Valuation Report, based on the investigation and analysis stated therein and on the valuation method employed, the Independent Valuer was of the opinion that the appraised value of 100% of the issued share capital in the Target Company as at the Valuation Benchmark Date was RMB37,310,000 (equivalent to approximately HK\$39,921,700).

(6) Identity, qualification and independence of the Valuer

The Valuation Report is signed by Mr. Oliver Y. Pan, Associate Director of the Independent Valuer who is a Chartered Valuation Surveyor, CFA Charterholder as well as a Certified FRM with over 10 years' experience in valuation of business, tangible and intangible assets in various sectors. Mr. Pan is also a member of the Royal Institution of Chartered Surveyors and the Hong Kong Society of Financial Analysts.

Board's view on the Consideration

Based on the valuation as mentioned above, the Board is of the view that the consideration for the transfer of the Economic Benefit is fair and reasonable.

Regarding the consideration for the Shareholder's Loan, since it is determined with reference to and is equal to the principal amount of the Shareholder's Loan, the Board considers that the consideration for the Shareholder's Loan is fair and reasonable.

In view of the above, the Board consider that the Consideration is fair and reasonable and on normal commercial terms.

Conditions Precedent

Completion is subject to the following Conditions being fulfilled and remaining satisfied as at Completion (or, where applicable, waived):

- (1) the grant of waiver to the Company by the Stock Exchange from strict compliance with (a) the requirement of fixing the term of the Contractual Arrangements under Rule 14A.52 of the Listing Rules; and (b) the requirement of setting a maximum aggregate annual cap for the fees payable by the Target Company to the WFOE under the Contractual Arrangements under Rule 14A.53 of the Listing Rules which has not been revoked as at Completion;
- (2) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with transactions contemplated by the Transaction Documents having been obtained;

- (3) the Creditor being satisfied, from the date of the Debt Settlement Agreement and at any time before Completion, that the representations, warranties and undertakings given by the Registered Shareholder under the Debt Settlement Agreement remain true, accurate, not misleading or in breach in any material respect and that no events have suggested that there has been any breach of any warranties or other provisions of the Debt Settlement Agreement by the Debtor and/or the Registered Shareholder; and
- (4) the Creditor being satisfied that, from the date of the Debt Settlement Agreement to Completion, there has not been any change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations of the Target Group as a whole.

In the event that the Conditions have not been fulfilled or waived within 30 days of the Debt Settlement Agreement, the Debt Settlement Agreement shall be null and void to all effect and that each party shall have no further claim against the other party except for any prior breach of the Debt Settlement Agreement.

As at the date of this announcement, all Conditions have been satisfied.

Completion

Subject to satisfaction of all Conditions in full (save for any Condition the full compliance with or satisfaction of which has been waived by the Company in accordance with the Debt Settlement Agreement), Completion shall take place on the Completion Date.

At Completion, the Registered Shareholder shall deliver or cause to be delivered to the Creditor (unless already delivered prior to the Completion or waived by the Creditor), among others (1) duly executed Structured Contracts by the Registered Shareholder in respect of the transfer of the Economic Benefit to the WFOE, (2) duly executed Loan Novation Documents, and (3) all other Transaction Documents duly executed by relevant parties.

Subsequent to and conditional upon the delivery of duly executed documents by the Registered Shareholder hereinabove, the Creditor shall deliver or cause to be delivered to the Debtor the duly executed deed of discharge as a full and final discharge of the Trade Debt.

Immediately following the signing of the Debt Settlement Agreement, all Conditions have been satisfied and the parties to the Debt Settlement Agreement proceeded to Completion on 27 June 2024.

Financial Effect of the Acquisition

The Company has assessed the terms of the Contractual Arrangements and considered that upon signing of the Contractual Arrangements, the Company has the power over the Target Group to direct the relevant activities of the Target Group unilaterally and hence the Group has control over the Target Group. The members of the Target Group will become subsidiaries of the Company and the financial positions and results of operations of the Target Group will be consolidated into the consolidated financial statements of the Company under IFRS Accounting Standards even though the Company does not legally own any equity interest in the Target Company, whether directly or indirectly. The above assessment has been discussed with the Company's auditors, Crowe (HK) CPA Limited, which has agreed with the Company's proposed accounting treatment.

Upon Completion, the Target Company will account as a 70%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

Indemnity

Pursuant to the Debt Settlement Agreement, the Registered Shareholder shall indemnify each of the WFOE and the Creditor from and against and keep each of the WFOE and the Creditor indemnified from all demands, claims actions, proceedings, damages, payments, losses, costs, expenses or other liabilities, whether civil, criminal, administrative or investigative, arising from and/or incidental to (1) any breach of the Debt Settlement Agreement by the Debtor and/or the Registered Shareholder, (2) any breach of the Contractual Arrangements by the Registered Shareholder or his permitted assigns, and (3) any invalidity or deemed invalidity of the Contractual Arrangements regardless of whether caused by the fault of the Shareholder, each on a dollar-for-dollar basis.

INFORMATION OF THE PARTIES AND THE TARGET COMPANY

The Company and the Creditor

The Company is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 948). The Group is principally engaged in (i) the trading of milk powder and baby foods; (ii) the provision of warehouse logistics service; and (iii) property investment.

The Creditor is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, which is principally engaged in the trading of milk powder and baby foods.

Debtor

The Debtor is a company incorporated in Australia with limited liability and is principally engaged in the retail and distribution business of milk powder and baby foods.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Debtor is beneficially owned by Lin Xu, an Independent Third Party.

WFOE

The WFOE is a wholly foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, and is principally engaged in online sale of foods.

Target Company

The Target Company is a company established in the PRC with limited liability and owned as to 99% by the Registered Shareholder and 1% by Mr. Li Yue (李越), each an Independent Third Party and a merchant.

The Target Company is principally engaged in the business of, among others, e-commerce in the PRC and holds requisite permit and approval required for its e-commerce business, including but not limited to (1) Value-Added Telecommunications Business Operating License, also known as the “**ICP License**” (增值電信業務經營許可證 (ICP 許可證)), and (2) Online Culture Operating License, also known as the “**ICB License**” (網絡文化經營許可證 (ICB 許可證)).

Based on the information provided by the Registered Shareholder, set out below are the audited financial information of the Target Group for the two years ended 31 December 2023:

	For the year ended	
	31 December	
	2023	2022
	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	12,650	–
Net loss before taxation	(1,496)	(22)
Net loss after taxation	(1,496)	(22)

As at 31 December 2023, the total assets and net liabilities of the Target Company are approximately RMB5.5 million and RMB1.0 million, respectively.

The Registered Shareholder

The Registered Shareholder is an Independent Third Party and a merchant.

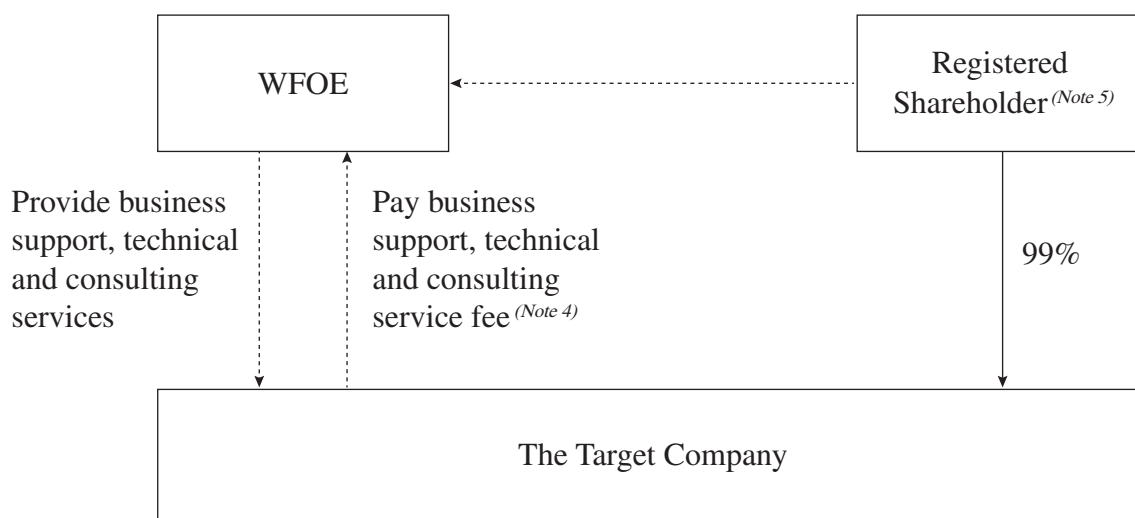
CONTRACTUAL ARRANGEMENTS

The Target Company is principally engaged in the business of, among others, e-commerce in the PRC and its business is subject to foreign investment restrictions and prohibitions under current PRC laws and regulations.

In light of the aforementioned prohibition on foreign investment, the establishment of the Contractual Arrangements among the WFOE, the Target Company and the Registered Shareholder is necessary for the Group to carry out the business of the Target Company in the PRC. Pursuant to the Contractual Arrangements, substantial and material business decisions of the Target Company will be instructed and supervised by the Group, through the WFOE, and risks arising from the business of the Target Company are also effectively borne by the Group as a result of the Target Company being treated as if a 70%-owned subsidiary of the Company.

The following simplified diagram illustrates the flow of economic benefits from the Target Company to the Group stipulated under the Contractual Arrangements immediately upon Completion:

- (1) Power of attorney and undertaking letter to exercise 70% of the shareholders' rights in the Target Company^(Note 1)
- (2) Exclusive option to acquire 70% of the equity interest in and/or assets of the Target Company^(Note 2)
- (3) First priority security interest over the 70% equity interest in the Target Company^(Note 3)



Notes:

- (1) Please refer to “(4) Power of Attorney and Undertaking Letter” below.
- (2) Please refer to “(2) Exclusive Option Agreement” below.

- (3) Please refer to “(3) Equity Pledge Agreement” below.
- (4) Please refer to “(1) Exclusive Business Cooperation Agreement” below.
- (5) The following persons together hold the 100% equity interest of the Target Company:

Shareholders	Registered Capital (RMB)	Approximate percentage of shareholding
Zhang Xuekui (張學坤)	990,000	99.0%
Li Yue (李越)	<u>10,000</u>	<u>1.0%</u>
Total	<u>1,000,000</u>	<u>100%</u>

- (6) “_____,” denotes direct legal and beneficial ownership in the equity interest
- “-----” denotes contractual relationship

Principal Terms of the Structured Contracts

Set out below are the principal terms of the each of the Structured Contracts:

(1) Exclusive Business Cooperation Agreement

- Parties:**
- (1) WFOE; and
 - (2) Target Company.
- Term:** The Exclusive Business Cooperation Agreement shall be valid upon execution thereof and remain valid until the WFOE agrees to terminate the Exclusive Business Cooperation Agreement in writing.
- Subject Matter:** The Target Company and WFOE will enter into the Exclusive Business Cooperation Agreement, pursuant to which the Target Company would agree to engage WFOE as its exclusive provider of technical support, consultation and other services, including:
- (a) to grant the right to use the technologies and software relating to the principal business of the Target Company legally owned by the WFOE;

- (b) to design, develop, maintain and update the technology required for the Target Company's principal business, and to provide technical consultation and services;
- (c) to design, install and manage the computer network system and related databases, as well as their daily maintenance and updates;
- (d) to provide technical support and professional training for relevant personnel of the Target Company;
- (e) to assist the Target Company in collecting and researching relevant technical and market information (excluding market research activities restricted by the PRC laws for wholly foreign owned enterprises);
- (f) to provide enterprise management consultation for the Target Company;
- (g) to provide marketing and promotional services for the Target Company;
- (h) to develop and test new products;
- (i) to arrange leasing of equipment and assets; and
- (j) to provide other related services as required by the Target Company, to the extent permitted by the PRC laws.

In addition, pursuant to the Exclusive Business Cooperation Agreement, without the prior written approval from WFOE, the Target Company shall not, and shall procure its subsidiaries not to, accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement with any third party.

The Exclusive Business Cooperation Agreement also provides that, (i) all intellectual property rights developed or created during the performance of the Exclusive Business Cooperation Agreement belong to WFOE, (ii) WFOE is entitled to authorize the Target Company and its subsidiaries to use the intellectual property rights, and (iii) WFOE is authorized to use all existing intellectual property rights created by the Target Company and its subsidiaries before execution of the Exclusive Business Cooperation Agreement for free.

Fee: Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall be determined by the WFOE annually (or at any other time mutually agreed upon by both parties). The service fee paid each year (or during any other agreed-upon period) shall consist of a management fee and a service provision fee. The specific amount of the service fee shall be determined by the WFOE based on (i) the complexity and difficulty level of the service; (ii) the level of employees of the WFOE and the time required to provide such services; (iii) the specific content, scope and commercial value of the service; (iv) market reference prices for similar type of services; and (v) the business situation of the Target Company. The service fee paid by the Target Company shall not be less than seventy percent (70%) of its after-tax profits.

(2) Exclusive Option Agreement

Parties:

- (1) WFOE;
- (2) The Registered Shareholder; and
- (3) Target Company.

Term: The Exclusive Option Agreement will commence upon the signing date of the agreement, until it is terminated upon the transfer of the 70% equity interests held by the Registered Shareholder and/or the transfer of all the assets of the Target Company to WFOE or its designated person in accordance with the Exclusive Option Agreement.

Subject Matter and Consideration: The WFOE, the Target Company and the Registered Shareholder will enter into the Exclusive Option Agreement, pursuant to which the Registered Shareholder will grant irrevocably and unconditionally to the WFOE the rights to require the Registered Shareholder to transfer any or all of his 70% equity interests in the Target Company and/or to require the Target Company to transfer 70% of its assets to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at zero consideration, or, if so required under the laws of the PRC, a minimum purchase price permitted under PRC laws and regulations.

The consideration for the exercise of the option by the WFOE to purchase 70% of the equity interest held by the Registered Shareholder shall be determined based on the equity transfer agreement separately entered into between the WFOE (or its designated person) and the Registered Shareholder (provided that such price does not violate the provisions of PRC laws and regulations and is recognized by the WFOE) (“**Benchmark Purchase Price**”). If, at the time of the exercise of the option by the WFOE, the PRC laws impose any mandatory requirements on the consideration for the equity interest to be purchased, resulting in a minimum price permitted by the PRC laws that is higher than the Benchmark Purchase Price, the consideration for the purchase shall be determined based on the minimum price permitted by the PRC laws (“**Equity Purchase Price**”). In this case, the Registered Shareholder hereby waives the right to receive any consideration exceeding the Benchmark Purchase Price.

Target Company’s Undertaking: Pursuant to the Exclusive Option Agreement, the Registered Shareholder (as a shareholder of the Target Company) and the Target Company will undertake to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) without the prior written consent of the WFOE, the Target Company shall not supplement, modify, or amend the articles of association of the Target Company in any form, increase or decrease its registered capital, or otherwise alter its capital structure;
- (ii) the Registered Shareholder shall, in accordance with sound financial and business standards and practices, maintain the existence of the Target Company, obtain and maintain all necessary government permits and licenses required for its business operations, and prudently and effectively operate its business and handle its affairs;
- (iii) without the prior written consent of the WFOE, the Registered Shareholder shall not sell, transfer, mortgage, or otherwise dispose of any significant assets, businesses, or rights or interests in income of the Target Company, or allow the creation of any other security interests thereon;
- (iv) without the prior written consent of the WFOE, the Target Company shall not incur, assume, guarantee, or allow the existence of any debts, except for accounts payable that arise in the normal course of business and are not incurred through borrowing;

- (v) the Target Company shall continue to operate all its businesses in the ordinary course of business to maintain its asset value and shall refrain from taking any action or omission that would have an adverse effect on the operating condition and asset value of the Target Company;
- (vi) without the prior written consent of the WFOE, the Target Company shall not enter into any material contracts with any person, except for contracts entered into in the ordinary course of business;
- (vii) without the prior written consent of the WFOE, the Target Company shall not provide loans or credit to any person;
- (viii) upon request by the WFOE, the Target Company shall provide all information regarding its operation and financial condition;
- (ix) if requested by the WFOE, the Target Company shall purchase and maintain insurance related to its assets and business from an insurance company designated by the WFOE, and the amount and type of insurance shall be consistent with companies engaged in similar business;
- (x) without the prior written consent of the WFOE, the Target Company shall not merge or form any joint venture with any person, or acquire or invest in any person;
- (xi) the Target Company shall immediately notify the WFOE of any litigation, arbitration, or administrative proceedings that have occurred or may occur relating to the assets, business, income, or equity of the Target Company;
- (xii) the Target Company shall maintain full ownership of all its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions, bring all necessary or appropriate actions, and make all necessary or appropriate defenses against any claims;
- (xiii) without the prior written consent of the WFOE, the Target Company shall not distribute dividends to its shareholders in any form, but upon the request of the WFOE, the Target Company shall immediately distribute all distributable profits to its shareholder;
- (xiv) upon the request by the WFOE, the Target Company shall appoint person(s) designated by the WFOE as a director or an executive director of the Target Company;

- (xv) without the prior written consent of the WFOE, the Target Company shall not engage in any business that competes with the WFOE or its affiliated companies;
- (xvi) unless required by the PRC law, without written consent of the WFOE, the Target Company shall commence any dissolution or liquidation; and
- (xvii) when the PRC laws allow foreign investors to hold a controlling and/or wholly-owned interest in the principal business conducted by the Target Company, and the relevant PRC authorities begin reviewing such business, upon the exercise of the option by the WFOE, the Target Company shall immediately transfer its shareholding to the WFOE or its designated person.

**Registered
Shareholder's
Undertaking:**

In addition, the Registered Shareholder, among other things, will undertake that:

- (i) without the prior written consent of the WFOE, the Registered Shareholder shall not sell, transfer, mortgage, or dispose of its legal or beneficial rights and interests in the equity of the Target Company, or allow the creation of any other security interests thereon, except for the rights established under the Contractual Arrangements;
- (ii) the Registered Shareholder shall ensure that the shareholders' meeting and/or the board of directors (or executive directors) of the Target Company shall not approve the sale, transfer, mortgage, or disposal of any legal rights or beneficial rights on the equity interest of the Target Company held by the Registered Shareholder without the prior written consent of the WFOE, nor shall they approve the creation of any other security interests thereon, except for the rights established under the Contractual Arrangements;
- (iii) without the prior written consent of the WFOE, the Registered Shareholder shall facilitate that the shareholders' meeting and/or the board of directors (or executive directors) of the Target Company shall not approve the merger or formation of any joint venture with any person, or the acquisition of or investment in any person;

- (iv) the Registered Shareholder shall immediately notify the WFOE of any litigation, arbitration, or administrative proceedings that have occurred or may occur regarding the equity interest of the Target Company owned by the Registered Shareholder;
- (v) the Registered Shareholder shall ensure that the shareholders' meeting or the board of directors (or executive directors) of the Target Company shall vote in favor of the transfer of the purchased equity interest as stipulated in the Exclusive Option Agreement and take any other actions requested by the WFOE;
- (vi) the Registered Shareholder shall maintain full ownership of the equity interest, sign all necessary or appropriate documents, take all necessary or appropriate actions, bring all necessary or appropriate actions, and make all necessary or appropriate defenses against any claims;
- (vii) upon the request of the WFOE, the Registered Shareholder shall appoint any person designated by the WFOE as a director or executive director of the Target Company;
- (viii) if the Registered Shareholder obtains any profit distribution, dividends, or liquidation proceeds from the Target Company, the Registered Shareholder shall promptly transfer such profit, dividends, or liquidation proceeds to the WFOE or any person designated by the WFOE in a manner permitted by the PRC laws; and
- (ix) the Registered Shareholder shall strictly comply with the provisions of the Exclusive Option Agreement and any other agreements signed by the Registered Shareholder, the Target Company and the WFOE, fulfill the obligations under these agreements, and refrain from any acts or omissions that would affect the validity and enforceability of these agreements. If the Registered Shareholder retains any rights with respect to the equity interest under the Exclusive Option Agreement, the Equity Pledge Agreement (as defined hereunder), or the authorization letter from the Registered Shareholder, the Registered Shareholder shall not exercise such rights unless instructed otherwise by the WFOE in writing.

(3) Equity Pledge Agreement

- Parties:**
- (1) WFOE;
 - (2) Registered Shareholder; and
 - (3) Target Company.

Term: The Equity Pledge Agreement will take effect upon the execution date and shall remain valid until (i) all the obligations under the Contractual Arrangements (other than the Equity Pledge Agreement) have been fulfilled; (ii) the Registered Shareholder has transferred his equity interests in the Target Company in accordance with the Exclusive Option Agreement; (iii) the Target Company has transferred its assets in accordance with the Exclusive Option Agreement; (iv) all the agreements underlying the Contractual Arrangements (other than the Equity Pledge Agreement) have been terminated; and (v) the Equity Pledge Agreement has been unilaterally terminated by WFOE.

Subject Matter: WFOE, the Target Company and the Registered Shareholder will enter into the Equity Pledge Agreement, pursuant to which each of the Registered Shareholder will agree to pledge all of his equity interests in the Target Company (including equity interests to be acquired by the Registered Shareholder in the future through capital increase or otherwise) to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, the Registered Shareholder shall represent and warrant to WFOE that:

- (i) the rights enjoyed by the WFOE with respect to the Equity Pledge Agreement shall not be interrupted or hindered by the Registered Shareholder or his successor, heirs, representatives or any other person through legal proceedings;
- (ii) if the Target Company declares any dividend during the term of the pledge, WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholder or the Target Company breaches or fails to fulfill the obligations under the agreements underlying the Contractual Arrangements (other than the Spouse Undertaking (as defined below)), WFOE, as the pledgee, has the priority to be indemnified from the proceeds from the disposal of pledged equity interests.

Further, the Registered Shareholder and the Target Company will undertake to WFOE, among other things, not to increase or reduce the registered capital of the Target Company, transfer the interest in his equity interests in the Target Company or create or allow any pledge thereon that may affect the rights and interest of WFOE without its prior written consent.

Registration and Legality: The registration of the pledge of equity interests as required by the relevant laws and regulations will be completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

(4) Power of Attorney and Undertaking Letter

Parties:

- (1) WFOE;
- (2) Registered Shareholder; and
- (3) Target Company.

Term: The Power of Attorney and Undertaking Letter will have an indefinite term and will remain valid so long as the Registered Shareholder remains as a shareholder of the Target Company.

Subject Matter: Each of the Target Company, the Registered Shareholder and WFOE will enter into the Power of Attorney and Undertaking Letter, pursuant to which, the Registered Shareholder will irrevocably, unconditionally and exclusively appoint WFOE or its designated person, as his attorney-in-fact to exercise such shareholder's rights (representing 70% equity interests in the Target Company) in the Target Company, including without limitation to, the rights to:

- (i) convene and attend shareholders' meetings of the Target Company;
- (ii) exercise all shareholders' rights and voting rights enjoyed by the Registered Shareholder under the PRC laws and the articles of association of the Target Company;
- (iii) handle the sale, transfer, pledge, or disposal of the equity interest (in whole or in part), including but not limited to representing the Registered Shareholder in signing all necessary equity transfer documents and other ancillary documents in relation to the disposal of the equity interest in the Target Company and undergo all necessary procedures;

- (iv) on behalf of the Registered Shareholder, signing any resolutions and meeting minutes in the capacity as a shareholder of the Target Company and a director of the Target Company;
- (v) represent the Registered Shareholder in nominating, electing, appointing and removing the legal representative, directors, supervisors, general manager, chief financial officer and other senior management personnel of the Target Company; and
- (vi) approve the amendment of the articles of association of the Target Company.

The Registered Shareholder further undertakes that he would not increase capital, reduce capital, transfer, pledge or dispose of or otherwise alter the share capital of the Target Company.

(5) *Spouse undertaking*

The spouse of the Registered Shareholder has signed the Spouse Undertaking to the effect that:

- (i) the equity interests of the Target Company held and to be held by the Registered Shareholder (together with any other interests therein) do not fall within the scope of communal properties;
- (ii) the spouse irrevocably and unconditionally abandons any right or interest over the equity interests of the Target Company held by his spouse that he might be granted according to any applicable law, and undertakes that he will not take any claim relating to such equity interests;
- (iii) the rights and obligations under the Contractual Arrangements do not apply to the spouse. The performance, amendment or termination of the Contractual Arrangements or the signing of other documents to replace the Contractual Arrangements by the Registered Shareholder does not require consent from the spouse; and
- (iv) in the event that the spouse obtains any equity interests in the Target Company, she will be subject to and abide by the terms of the Contractual Arrangements as if she was a signing party to such Contractual Arrangements, and at the request of WFOE, she will sign any documents in the form and substance consistent with the Contractual Arrangements.

General

(1) Dispute Resolution

Each of the Structured Contracts contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Structured Contracts, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions will also provide that the arbitral tribunal may award remedies over the shares or assets of the Target Company or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of the Target Company; any party may apply to the courts of Hong Kong, Bermuda (being the place of incorporation of the Company), the PRC and the places where the principal assets of the Target Company are located for interim remedies or injunctive relief.

(2) Loss Sharing

Under the relevant PRC laws and regulations, none of the Company and WFOE is legally required to share the losses of, or provide financial support to, the Target Company and its subsidiaries. Further, the Target Company and its subsidiaries are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. WFOE intends to continuously provide to or assist the Target Company and its subsidiaries in obtaining financial support when deemed necessary. In addition, given that the Group conducts a substantial portion of its business operations in the PRC through the Target Company and its subsidiaries, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the Target Company and its subsidiaries suffer losses.

(3) Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholder and the Target Company will hereby irrevocably undertake that, in compliance with the PRC laws, the Target Company shall transfer its remaining asset attributable to the Registered Shareholder to WFOE or its designated person, at the lowest price as permitted by the PRC laws, after deduction of payments of liquidate expenses, staff salaries, social security fee, statutory compensation, and outstanding taxes and settlement of other debts. The Target Company shall waive any payment obligation of WFOE or its designated person arising thereon to the extent permitted by then applicable laws of the PRC in force. The Registered Shareholder shall return WFOE or its designated person any income (if any) arising from such transaction to the extent permitted by then applicable laws of the PRC in force.

(4) Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Legality of the Contractual Arrangements

Based on the terms and conditions of the Structured Contracts, the PRC Legal Adviser is of the opinion that:

- (i) the Contractual Arrangements as a whole and each of the Structured Contracts comprising the Contractual Arrangements, once legally entered into, would be legal, valid and binding on the parties thereto; and
- (ii) the Contractual Arrangements would not be null and void under the provisions of the Civil Code of the PRC including (a) the civil juristic acts by persons of civil conduct and counterparties under false manifestation of intent shall be null and void; (b) the civil juristic acts that violate the mandatory provisions of laws and administrative regulations shall be null and void; (c) any civil juristic act that violates public order and good morals shall be null and void; and (d) where a person colludes with his or her counterparty to perform a civil juristic act that impair others' legitimate rights and interests, such act shall be null and void and other applicable PRC laws and regulations

The Contractual Arrangements are narrowly tailored

Upon entering into of the Contractual Arrangements, the Group would operate the business of e-commerce which involves the business of internet information service and online performance (the “**Relevant Business**”) under the Contractual Arrangements and the Company is of the view that the Contractual Arrangements are narrowly tailored for the reasons set out hereunder:

(1) Value-added Telecommunication Services Business

As advised by the PRC Legal Adviser, the operation of an e-commerce business involves internet information service under applicable PRC laws and regulations. Accordingly, the Target Company is required to hold the relevant license, namely the ICP License to carry out such business.

(2) Internet Cultural Businesses

As advised by the PRC Legal Advisor, the operation of an e-commerce business involves online performance under applicable PRC laws and regulations. Accordingly, the Target Company is required to hold the relevant license, namely the ICB License to carry out such business.

On March 29, 2022, the State Council promulgated the Decision on Revising and Repealing Some Administrative Regulations (Order No. 752) (the “**Decision**”), according to which, the New Regulations for the Administration of Foreign-Invested Telecommunications Enterprises will be amended so that, among others, starting from May 1, 2022, the requirement that “a foreign major investor of a foreign-invested telecommunications enterprise which operates value-added telecommunication business shall have good track-record and operational experience in the operation of value-added telecommunications services business” (Qualification Requirements) will no longer exist. As such, upon approval, foreign investors without a good track-record and operational experience may be allowed to hold no more than 50% of the equity interests of a company providing value-added telecommunications services. However, as at the date of this announcement, no applicable PRC laws and regulations have provided clear guidance, and it remains uncertain as to the interpretation and enforcement of the amendment.

The Target Company carries out its e-commerce business and it holds the requisite permits and approval required for the Relevant Business, including but not limited to the ICP License and ICB License. According to the 2021 Negative List, foreign investors are prohibited from holding any equity interests in a PRC enterprise engaging in internet cultural business (excluding music) or transmission of audiovisual programs. As at the date of this announcement, for the businesses which the Target Company operate fall within the “foreign-prohibited” business categories under the 2021 Negative List, the Group is unable to obtain the requisite permits and approvals through any Sino-foreign equity joint venture or wholly-owned foreign investment entity. Therefore, as advised by the PRC Legal Adviser, the legality of the Contractual Arrangements structure shall not be affected by the New Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the Order No. 752.

The Target Group operates its online supply distribution platforms and promotion of both online and offline business through its self-developed platform AZ Global Purchase (az全球購) and AZ Good Goods Pass (az好貨通). Accordingly, the operation of an online brand direct supply distribution platform (being the restricted business of internet information service) and the promotion of online and offline business through the said platforms (being the prohibited business of online performance) are inseparable parts of the business carried out by the Target Group and are subject to the foreign investment restrictions.

Based on the above, the Company is of the view that to maintain the business operations and effectiveness of license and permits held by the Target Company, the Target Company must be controlled by the Company through the Contractual Arrangements. Further, since the business operated by the Target Company falls within both “foreign-prohibited” and “foreign-restricted” business categories under the 2021 Negative List, the Company is unable to set up any alternative structure that allows us to partly hold equity interests in and partly control the Economic Benefit via the Contractual Arrangements. Accordingly, the Company is of the view that the Contractual Arrangements are narrowly tailored, as they would be used to merely enable the Group to conduct business in industries that are subject to foreign investment prohibitions in China.

Pursuant to the Contractual Arrangements, in the event that PRC laws and regulations allow the WFOE or its shareholders to directly hold all or part of the equity interest in the Target Company, and conduct the Relevant Business directly, the WFOE or its designated purchasers will exercise the option as soon as possible under the Exclusive Option Agreement entered into by and among the WFOE, the Registered Shareholder and the Target Company.

The PRC Legal Adviser also advised that there are uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

Based on the above, the Directors believe that the Structured Contracts are unlikely to be deemed ineffective or invalid under the relevant PRC laws and regulations, subject to certain issues discussed in the paragraph headed “CONTRACTUAL ARRANGEMENTS – Risks and Limitations Relating to the Contractual Arrangements” in this announcement.

Risks and Limitations Relating to the Contractual Arrangements

There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations

Despite there is currently no indication that the Contractual Arrangements will be interfered with or objected to by any PRC regulatory authorities, there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the Contractual Arrangements comply with the current PRC laws or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the Contractual Arrangements.

The Contractual Arrangements may not be as effective as direct ownership in providing control over the Target Company

The WFOE will rely on the Contractual Arrangements to operate the business of the Target Group. The Contractual Arrangements may not be as effective in providing the WFOE with control over the Target Company as direct ownership. If the WFOE has direct ownership of the Target Company, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of the Target Company, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, the Group will only rely on the WFOE's contractual rights and the performance by the Registered Shareholder of his obligations under the Contractual Arrangements to exercise control over the Target Company. Therefore, the Contractual Arrangements may not be as effective in ensuring the WFOE's control over the Target Company as direct ownership would be. In addition, if the Registered Shareholder or the Target Company fail to perform their respective obligations under the Contractual Arrangements or otherwise have disputes with the WFOE, the WFOE may have to initiate arbitration or other legal proceedings and rely on legal remedies under PRC laws which may be limited and involve significant uncertainty. There can be no assurance that the outcome will be in the WFOE's favour, and it may adversely affect the WFOE's ability to control the Target Company.

The Registered Shareholder may potentially have a conflict of interests with the Group

The Group's control over the Target Company is based on the Contractual Arrangements. Therefore, the conflict of interests of the Registered Shareholder will adversely affect the interests of the Company. However, under the Contractual Arrangements, the Registered Shareholder will irrevocably appoint any person as designated by the WFOE (including its liquidator, if any) as his representative to exercise the voting rights as a 70% shareholder of the Target Company. Therefore, it is unlikely that there will be a potential conflict of interests between the Company and the Registered Shareholder. However, in the unlikely event that a conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the Registered Shareholder.

The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

Under the PRC laws and regulations, arrangements and transactions among related parties may be subject to audit and/or challenge by the PRC tax authorities. The Group may face material adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements do not represent arm's length negotiations between the parties and they may adjust income and expenses of the WFOE and/or the Target Company and its subsidiaries (if any) for PRC tax purposes, which could result in higher tax liabilities on the WFOE and/or the Target Company and its subsidiaries (if any). The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the WFOE and/or Target Company and its subsidiaries (if any) increase significantly or if they are required to pay interest and other penalties on late payments.

Economic risks the Group bears as the primary beneficiary of the Target Company and its subsidiaries, financial support to the Target Company and its subsidiaries and potential exposure of the Group to losses

As the primary beneficiary of the Target Company and its subsidiaries (if any), the Group will share both profit and loss of the Target Company and its subsidiaries (if any) and bear economic risks which may arise from difficulties in the operation of the businesses of the Target Company and its subsidiaries (if any). The Group may have to provide financial support in the event of financial difficulty of the Target Company and its subsidiaries (if any). Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the Target Company and its subsidiaries (if any) and the need to provide financial support to it. In any event, since the Group conducts value-added telecommunication services business and internet cultural businesses through the Target Company, its financial results would be reflected in the Group's consolidated financial statements and the Group's consolidated financial position such as the consolidated earnings and profits may be adversely affected.

Limitations in acquiring ownership in the equity interest of the Target Company

In case the WFOE exercises its option to acquire all or part of the 70% equity interest in the Target Company under the Exclusive Option Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the aforementioned acquisitions may be subject to the permissible minimum price (such as an appraised value for the equity interest in the Target Company) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), and time may be involved in acquiring and transferring the ownership of the Target Company, which may have a material adverse impact on the WFOE and/or the Target Company's businesses, prospects and profitability.

Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws

The Contractual Arrangements provide that the arbitration tribunal of the PRC may award remedies over the equity interest or assets of the Target Company or injunctive relief (such as injunctive relief for the conduct of business or to compel the transfer of assets) or order the winding up of the Target Company. The Contractual Arrangements also include a clause in relation to dispute resolution among the parties where, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, Bermuda, the PRC, and the location where the Target Company's principal assets are located. However, the PRC legal advisers of the Company are of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the Target Company. In addition, even though the Contractual Arrangements provide that overseas courts (e.g. courts in Hong Kong and Bermuda) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the PRC laws. As a result, in the event that the Target Company or the Registered Shareholder breaches the terms of the Contractual Arrangements, the WFOE may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the Target Company could be materially and adversely affected.

The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of Contractual Arrangements, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the Contractual Arrangements.

Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the current corporate structure, Contractual Arrangements, corporate governance and business operations of the Group and the Target Company.

Description of the Foreign Investment Law

On 15 March 2019, the National People’s Congress of the PRC approved the Foreign Investment Law, which has come into effect on 1 January 2020.

The Foreign Investment Law embodies the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, there are uncertainties in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of “foreign investment” in the future. In addition, the aforementioned definition of “foreign investment” contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment.

Impact of the Foreign Investment Law on variable interest entity (the “VIE”)

The VIE structure has been adopted by many fully or partially foreign-owned companies (including the Target Company by way of the Contractual Arrangements) which, through its subsidiaries in the PRC, assumes control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the “FIE”) proposes to conduct business in an industry subject to foreign investment “restrictions” in the “negative list”, the FIE must meet certain conditions under the “negative list” before being established. An FIE shall not conduct or engage in business in an industry subject to foreign investment “prohibitions” in the “negative list”. It is uncertain whether the businesses operated by Target Company from time to time will be or continue to be subject to the foreign investment restrictions or prohibitions under the “negative list” to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, there will be substantial uncertainties as to whether such actions can be completed by the Group and the Target Company in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the current corporate structure and business operations of the Group and the Target Company, as well as the ability of the Group and the Target Company to be or continue to be engaged in businesses subject to the foreign investment restrictions or prohibitions.

Potential risks to the Group

The Contractual Arrangements, in the worst-case scenario, may be regarded as invalid and illegal. As a result, the Group may be required to dispose of the business under the Contractual Arrangements and will lose rights to receive the economic benefits from the Target Company, such that the financial results of the Target Company would no longer be consolidated into the Company’s financial results and the Company will have to de-recognize assets and liabilities of the Target Company according to the relevant accounting standards.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

The Foreign Investment Law was approved by the National People's Congress of the PRC on 15 March 2019 and came into effect on 1 January 2020. As aforementioned, there are uncertainties with respect to the interpretation and implementation of the Foreign Investment Law. The Board will closely monitor the development of the Foreign Investment Law, including but not limited to any new negative list issued by or approved to be issued by the National Development and Reform Commission and the Ministry of Commerce of the PRC, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will also, when necessary, seek PRC legal advice in order to assess any possible impact arising from the development of the Foreign Investment Law on the Contractual Arrangements and the business operation of the Group.

In case there would be material and adverse effect on the Group or the business of the Target Company arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal advice and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

Internal Control Measures to be Implemented by the Group

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the Target Company.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, to implement, through the WFOE, additional internal control measures against the Target Company as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

- (iv) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and the Target Company to deal with specific issues or matters arising from the Contractual Arrangements.

The Board's view on the Contractual Arrangements

The transactions contemplated under the Contractual Arrangements constitute an important and integral mechanism of the Company to, via the WFOE, control and manage the business of the Target Company in the PRC which falls under the “restriction” or “prohibition” category and to receive and enjoy the Economic Benefit. As such, it is in the interests of the Company to ensure that the Company will continue to do so without setting any annual cap which may otherwise limit the economic benefits received by the Company, via the WFOE, and/or expiration of the terms of the Contractual Arrangements which may otherwise lead to the Group losing control over the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Target Group has not encountered any interference or encumbrance from any governing bodies in operating its business.

The Board believes that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct the e-commerce business (internet information service and online performance) in the PRC that are subject to foreign investment restrictions.

The Directors (including the independent non-executive Directors) consider that upon Completion, (1) the Contractual Arrangements are an integral part of the transactions contemplated under the Debt Settlement Agreement; (2) the Contractual Arrangements allow the Group, via the WFOE, to take control and enjoy the Economic Benefit; and (3) a number of other companies use similar arrangements to accomplish the same purpose, and therefore, the Contractual Arrangements are fair and reasonable, on normal commercial terms and in the ordinary and usual course of the business of the Group, and are in the interest of the Company and the Shareholders as a whole.

The Board has approved the transactions contemplated under the Contractual Arrangements. None of the Directors had material interests in the Contractual Arrangements. Therefore, no Director is required to abstain from voting on the resolutions of the Board approving the Contractual Arrangements.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE ENTERING INTO OF THE CONTRACTUAL ARRANGEMENTS

The Acquisition

The Group has been reviewing its current business and exploring possible business opportunities to develop new lines of business with an aim to further diversify the Company's revenue streams and ultimately benefit the Company and its shareholders as a whole. As disclosed in the announcement of the Company dated 28 December 2023, the Board has proactively taken actions to recover overdue trade receivables. The Acquisition aims to recover trade receivables with a view to revitalizing the Company's resources to solidify its existing business, especially the business of trading of milk powder and baby foods and developing new lines of business.

The Target Company has leveraged its self-developed brand direct supply distribution platforms in the PRC, including AZ Global Purchase (az全球購), AZ Good Goods Pass (az好貨通), and AZ DiTuiBao (az地推寶), and has invited nearly 100 high-quality global brands (including brands whose products consist of milk, beverage and food products) to set up their flagship stores on its platforms. By offering store management and platform operation services, the Target Company provides stable, reasonable, and sustainable earnings for nearly 20,000 online and offline small and medium-sized channels, which empowers these channels to deliver high-quality, long-term services to consumers. Meanwhile, through sales data feedback and various channel scenarios, the Target Company assists the brands on its platforms in optimizing cost structures, rationalizing supply chain and marketing expense planning, and expanding the possibilities for more sales channels.

As the Company is principally engaged in the business of trading of milk powder and baby foods, the self-developed direct supply distribution platforms of the Target Company can create a synergy effect with the Company's principal business by incorporating the milk powder and baby foods products into its platforms such as AZ Global Purchase (az全球購) and AZ Good Goods Pass (az好貨通). Previously, the Debtor was a customer of the Group and, through its control over the Target Company, carried out the retail sale of the Group's milk powder and baby foods products in the PRC with the aforesaid supply distribution platforms. With the Acquisition, the Group would be able to exert control over the Target Company, obtain valuable information about the retail customers of the Group's products and penetrate into the retail market of the Group's products in the PRC.

The Target Group also focuses on promoting both online and offline business through the AZ Global Purchase (az全球購) and AZ Good Goods Pass (az好貨通). The Target Group targets medium and large channels that have their own companies and teams. Moreover, by forming joint ventures with potential business partners, the Target Group can further explore and promote relevant businesses in other innovative business channels such as property management, while ensuring platform uniformity, stimulating the channels' initiative and sharing the operational risks. The Target Group utilize its location in Hainan, the PRC to actively seek various cross-border policy support to help the channels develop their businesses, while providing them with various marketing support.

Furthermore, the Target Company holds the ICP License and the ICB License. The Online Culture Operating License is a market access qualification legally issued by the provincial level counterpart of the Ministry of Culture and Tourism of the PRC to internet service providers engaged in commercial internet cultural activities. Commercial internet cultural activities refer to operations aimed at making a profit by charging online users or through e-commerce, advertising, sponsorship, etc., to provide internet cultural products and services, including live-streaming services. As the live-streaming industry has heated up in the PRC, the ICB License has become one of the most sought-after internet qualifications. The only way for the Company to obtain such a license is by acquiring the equity of companies that already hold these licenses such as the Target Company.

Accordingly, the Board is of the view that the terms of the Debt Settlement Agreement are fair and reasonable and the Acquisition is in the interest of the Company and its shareholders as a whole.

The Contractual Arrangements

As disclosed above, the Company has made the strategic decision to expand its operations and diversify its income streams in the PRC. The Company has been developing its strategic layout and decided to invest in the e-commerce and live-streaming business and grow the Group's business operations in this sector with the Target Company's capabilities as a foundation.

The Foreign investment activities in the PRC are mainly governed by Catalog of Industries Encouraging Foreign Investment, or the Encouraging Catalog and the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, which have been promulgated and amended from time to time jointly by the Ministry of Commerce of PRC and the National Development and Reform Commission. The Encouraging Catalog sets forth the industries in which foreign investment is encouraged, while the 2021 Negative List sets forth the industries in which foreign investment is restricted or prohibited. The current version of the Negative List contains specific provisions on, among others, (i) market access of foreign capital; and (ii) the areas of entry pertaining to the categories of restricted foreign investment industries and prohibited foreign investment industries.

As advised by the PRC Legal Adviser, the Target Group is engaging in internet information service and online performance which fall under the "restricted" and "prohibited" categories, respectively, so the Company as a foreign investor are restricted and prohibited from holding equity interests in the Target Company. Due to such restriction and prohibition, the Board concur with the PRC Legal Advisers that it is necessary for our Company to conduct internet information service and online performance in the PRC through the Target Group via the Contractual Arrangements.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Contractual Arrangements

Upon Completion, the Target Company will be accounted as a 70%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

The Registered Shareholder will become a substantial shareholder of the Target Company holding 99% equity interest in the Target Company and therefore a connected person of the Company at a subsidiary level under Chapter 14A of the Listing Rules. As such, the Contractual Arrangements would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board has approved the transactions under the Contractual Arrangements and the Directors (including the independent non-executive Directors) have also confirmed that the terms thereof are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Therefore, by virtue of Rule 14A.101 of the Listing Rules, the transactions under the Contractual Arrangements are subject to the reporting and announcement requirements applicable to connected transactions, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

Waiver from strict compliance with the Listing Rules

The Board considers that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company for (i) the transactions contemplated under each of the Structured Contracts to be subject to the requirement of fixing the term of the Structured Contracts under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap for the fees payable by the Target Company to the WFOE under the Exclusive Business Cooperation Agreement under Rule 14A.53 of the Listing Rules. Furthermore, all the agreements that comprise the Contractual Arrangements are common agreements, and as advised by the PRC Legal Adviser, are valid and legally binding.

The use of the Contractual Arrangements is in accordance with common and necessary practice of listed issuers in industries which are subject to foreign investment restrictions in the PRC and are fundamental for the Company to effectively exercise and maintain control over the operations of the Target Company, obtain the Economic Benefit and prevent leakage of the assets and values of the Target Company to the Registered Shareholder after the Completion.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the requirement of fixing the term of the Contractual Arrangements under Rule 14A.52 of the Listing Rules and (ii) the requirement of setting a maximum aggregate annual cap for the fees payable by the Target Company to the WFOE under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, on the following conditions:

(1) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of the independent non-executive Directors.

(2) No change without independent shareholders' approval

Save for Renewal and Reproduction (as defined below), no changes to the agreements governing the Contractual Arrangements will be made without the approval of independent shareholders of the Company.

Once the approval of the independent shareholders of the Company for any change has been obtained, no further announcement or approval of the independent shareholders of the Company, 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 the Company will however continue to be applicable.

(3) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable the Group to receive the Economic Benefit derived by the Target Group through (a) the option (if and when so allowed under the applicable PRC laws) to acquire the 70% equity interest in the Target Company for nil consideration or minimum amount of consideration permitted by applicable PRC laws and regulations, (b) the business structure under which the profit generated by the Target Group is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by the Target Company under the Contractual Arrangements, and (c) the Group's right to control the management and operation of, as well as, in substance, 70% of the voting rights of the Target Company.

(4) Renewal and reproduction (“Renewal and Reproduction”)

On the basis that the contractual arrangements provide an acceptable framework for the relationship between the WFOE and the Target Group that framework may be renewed and/or reproduced without obtaining the approval of the shareholders of the Company: (a) upon the expiry of the Contractual Arrangements, (b) in connection with any changes to the registered shareholders or directors of the Target Company, or (c) in relation to any existing, newly established or acquired wholly-foreign-owned enterprises or operating company (including branch company), engaging in a business similar or relating to those of the Target 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 foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Target Group which the Target Group may establish will, upon renewal and/or reproduction of the contractual arrangements, be treated as connected persons of the Group and transactions between these connected persons and the Target 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 Contractual Arrangements.

(5) On-going reporting and approvals

The Company will disclose details relating to the Contractual Arrangements on an on-going basis in that:

- (a) the contractual arrangements in place during each financial period will be disclosed in the annual report of the Company (the “**Annual Report**”) in accordance with relevant requirements under the Listing Rules;

- (b) the independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Annual Report for the relevant year that the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, no dividends or other distributions have been made by the Target Group to the Registered Shareholder which are not otherwise subsequently assigned or transferred to the Group by virtue of the 70% equity interest controlled by the Group by virtue of the Contractual Arrangements, and any new contracts entered into, renewed or reproduced between the Group and the Target Group during the relevant financial period above are fair and reasonable so far as the Group is concerned and in the interests of the shareholders of the Company as a whole;
- (c) the Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Board confirming that the transactions have received the approval of the Board and have been entered into in accordance with the relevant contractual arrangements and that no dividends or other distributions have been made by the Target Group to the Registered Shareholder which are not otherwise subsequently assigned or transferred to the Target Group;
- (d) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of the members of the Target Group will be treated as the Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders (including the Registered Shareholder) and their respective associates will be treated as connected persons of the Company as applicable under the Listing Rules (excluding for this purpose, the members of the Target Group), and transactions between these connected persons and the Group (including for this purpose, the members of the Target Group), other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules; and
- (e) the members of the Target Group will undertake that, for so long as the shares of the Company are listed on the Stock Exchange, the members of the Target Group will provide the Group's management and the Company's auditors full access to their relevant records for the purpose of the Company auditing procedures with regard to the connected transactions.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the terms of the Contractual Arrangements pursuant to the Structured Contracts exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company appointed Gram Capital Limited as the Independent Financial Adviser to explain why the Contractual Arrangements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the term of the Contractual Arrangements to be longer than three years and remain effective until termination, the Independent Financial Adviser considered the following factors:

- (1) With reference to this announcement, as advised by the PRC Legal Adviser, the Target Group is engaging in internet information service and online performance which fall under the “restricted” and “prohibited” categories, respectively, so the Company as a foreign investor are restricted and prohibited from holding equity interests in the Target Company. Due to such restriction and prohibition, it is necessary for the Company to conduct internet information service and online performance in the PRC through the Target Group via the Contractual Arrangements. The Contractual Arrangements are fundamental for the Company to effectively exercise and maintain control over the operations of the Target Company, obtain the Economic Benefit and prevent leakage of the assets and values of the Target Company to the Registered Shareholder. As advised by the PRC Legal Adviser, the Structured Contracts are valid and legally binding.

Given the above, it is in the interest of the Company and the Shareholders as a whole to ensure that the continuity of the Contractual Arrangements be preserved, such that the Group’s constant and consistent control over and management of the Target Company are not otherwise hindered by any expiration of term under the Contractual Arrangements.

The Contractual Arrangements with a longer term will provide long-term binding contractual relationship among the Group, the Registered Shareholder and the Target Company, allowing the Group to continuously receive and enjoy the Economic Benefit derived from the Target Company.

- (2) It would be unduly burdensome and impracticable, and would add unnecessary administration costs for a renewal of the Contractual Arrangements every three years or less as the contractual structure thereunder is a long-term arrangement.

In considering whether it is normal business practice for agreements of similar nature with the Contractual Arrangements to have a term of such duration (i.e. remain effective until termination), the Independent Financial Adviser identified and reviewed 10 transactions involving contractual arrangement, entered into and announced by companies listed on the Stock Exchange, with term remaining effective until termination or indefinite in practice.

Taking into account of the above, the Independent Financial Adviser confirms that the term of the Contractual Arrangements, which is longer than three years, is required, and it is normal business practice for the agreements of this type to be of such duration.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Economic Benefit and the rights of the Shareholder’s Loan by the WFOE from the Registered Shareholder pursuant to the terms and conditions of the Debt Settlement Agreement
“AUD”	Australian Dollar, the lawful currency of Australia
“Board”	the board of directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Completion”	the completion of the Acquisition and the discharge of the trade debts in the sum of AUD5,057,000 (equivalent to approximately HK\$26,245,830) in accordance with the terms of Debt Settlement Agreement and, where the extent requires, also the performance by all parties of their respective obligations under the Debt Settlement Agreement
“Completion Date”	The date of the Completion, being the third Business Day from the day of fulfilment (or, if applicable, waiver) of all Conditions (or such other date as the parties to the Debt Settlement Agreement shall agree)
“Condition(s)”	the conditions precedent as set out in the Debt Settlement Agreement to be fulfilled (or, if applicable, waived) prior to the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements, which comprise the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement, the Power of Attorney and Undertaking Letter, and the Spouse Undertaking, entered into by and among the WFOE, the Target Company, the Registered Shareholder and the spouse of the Registered Shareholder (as the case may be) on 27 June 2024
“Creditor”	Willis Trading Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“Debtor”	Prime Global Trading Pty Ltd, a company incorporated in Australia with limited liability and an Independent Third Party
“Debt Settlement Agreement”	the Debt Settlement Agreement dated 27 June 2024 entered into by and among the Creditor, the Debtor, the Registered Shareholder and the WFOE
“Director(s)”	director(s) of the Company
“Economic Benefit”	70% of the economic benefit of the Target Company to be acquired by the WFOE from the Shareholder by virtue of the Contractual Arrangements
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), assignment, hypothecation and adverse claims, or other encumbrance, priority or security interest or other third party rights or interests over or in any property or assets of whatsoever nature
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among the WFOE, the Registered Shareholder and the Target Company on 27 June 2024, details of which are set out in the section headed “CONTRACTUAL ARRANGEMENTS – Principal Terms of the Structured Contracts – (3) Equity Pledge Agreement” in this announcement
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement entered into between the WFOE and the Target Company on 27 June 2024, details of which are set out in the section headed “CONTRACTUAL ARRANGEMENTS – Principal Terms of the Structured Contracts – (1) Exclusive Business Cooperation Agreement” in this announcement
“Exclusive Option Agreement”	the exclusive option agreement entered into among the WFOE, the Registered Shareholder and the Target Company on 27 June 2024, details of which are set out in the section headed “CONTRACTUAL ARRANGEMENTS – Principal Terms of the Structured Contracts – (2) Exclusive Option Agreement” in this announcement
“Group”	the group of companies consisting of the Listco and its subsidiaries and the expressions “ member(s) of the Group ” shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong, China

“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), which has been appointed as the independent financial adviser to explain why the Contractual Arrangements require a term exceeding three years and to confirm that it is normal business practice for agreements of this type to be of such duration
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Novation Documents”	the novation documents wherein the Registered Shareholder shall (1) assume the payment obligations, namely the payables owed by the Target Company to certain third parties in the aggregate sum of RMB2,462,362.66 (equivalent to approximately HK\$2,634,728.05), and (2) transfer his rights under the Shareholder’s Loan to the WFOE, in a manner as set out in the Debt Settlement Agreement
“Power of Attorney and Undertaking Letter”	the power of attorney and undertaking letter entered into among the WFOE, the Registered Shareholder and the Target Company on 27 June 2024, details of which are set out in the section headed “CONTRACTUAL ARRANGEMENTS – Principal Terms of the Structured Contracts – (4) Power of Attorney and Undertaking Letter” in this announcement
“PRC”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Legal Adviser”	the legal adviser to the Company as to the PRC laws
“Registered Shareholder”	Mr. Zhang Xuekun (張學坤), a shareholder of the Target Company holding 99% of its equity interest immediately prior to the date of the Debt Settlement Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company with a par value of US\$0.16 each

“Shareholders”	holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan owed by the Target Company to the Registered Shareholder in the sum of RMB2,462,362.66 (equivalent to approximately HK\$2,634,728.05) immediately following the entering into of the Loan Novation Documents
“Spouse undertaking”	the spouse undertaking dated 27 June 2024 and given by the spouse of the Registered Shareholder, details of which are set out in the section headed “CONTRACTUAL ARRANGEMENTS – Principal Terms of the Structured Contracts – (5) Spouse undertaking” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement, the Power of Attorney and Undertaking Letter and the Spouse Undertaking
“Target Company”	Shenyang Jinyi e-commerce Co., Ltd. (瀋陽金蟻電子商務有限公司), a company established under the laws of the PRC with limited liability, owned as to 99% and 1% by the Registered Shareholder and Mr. Li Yue (李越), each an Independent Third Party
“Target Group”	the Target Company and its subsidiaries
“Trade Debts”	the trade debts in the sum of AUD5,057,000 (equivalent to approximately HK\$26,245,830) owed by the Debtor to the Creditor in respect of the milk powder and baby food products supplied by the Creditor to the Debtor
“Transaction Documents”	collectively, the Debt Settlement Agreement, the Contractual Arrangements, the Loan Novation Documents and any other documents required or necessary for the transactions contemplated under the Debt Settlement Agreement

“WFOE”

Hangzhou Mingandi E-commerce Co., Ltd.* (杭州明安迪電子商務有限公司), a wholly foreign owned enterprise established in the PRC with limited liability, a wholly-owned subsidiary of the Company and a fellow subsidiary of the Creditor

On behalf of the Board

Alpha Professional Holdings Limited

Zhao Lei

Executive Director and Chief Executive Officer

Hong Kong, 27 June 2024

As at the date of this announcement, the executive Directors are Mr. Zhao Lei, Ms. Wu Feizi and Mr. Gao Peng, and the independent non-executive Directors are Mr. Li Chak Hung and Mr. Tu Chunan.

For the purpose of this announcement, unless otherwise specified, the conversions of (i) AUD into HK\$ and (ii) RMB into HK\$ are based on the approximate exchange rates from (i) AUD1.00 to HK\$5.19 and (ii) RMB1.00 into HK\$1.07. The exchange rates are adopted for illustration purposes only and do not constitute a representation that any amounts have been, could have been or may be, exchanged at these rates or any other rate at all.

* *For identification purpose only*