BACKGROUND

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures for Foreign Investment Access (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**") and the Encouraged Industries Catalog for Foreign Investment (《鼓勵外商投資產業目錄》) (the "**Encouraging Catalog**"), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog classify industries into three categories in terms of foreign investment access, namely, "encouraged," "restricted" and "prohibited." Industries not listed under the Negative List and the Encouraging Catalog are generally open to foreign investment, unless otherwise specifically restricted by other PRC laws and regulations. The current Negative List became effective on November 1, 2024. For further details of the limitations on foreign ownership in PRC companies engaged in value-added telecommunications services, and the applicable licensing and approval requirements under PRC laws and regulations, see "Regulatory Overview — Regulations Relating to Value-added Telecommunications Services and Internet Information Services" for details.

We are a leading online relationship-oriented social networking platform company in the PRC, primarily engaged in the provision of value-added telecommunications services and certain other internet related services through our mobile apps (the "**Relevant Businesses**"). Since the Relevant Businesses are classified as foreign investment restricted or prohibited under the Negative List, to comply with the PRC laws and regulations and maintain effective control over the operation of the Relevant Businesses, Beijing Linke has entered into the Contractual Arrangements with Beijing Milian and the Registered Shareholders, under which the Beijing Linke is entitled to substantially all economic benefits arising from the business of the Consolidated Affiliated Entities, to the extent permitted by the PRC laws and regulations.

The Contractual Arrangements enable the results of operations, assets and liabilities of the Consolidated Affiliated Entities to be consolidated into the results of operations, assets and liabilities of the Group under the IFRS Accounting Standards as if they are subsidiaries of the Company. Under the Contractual Arrangements, the Company does not directly own any equity interest in the Consolidated Affiliated Entities.

The Consolidated Affiliated Entities consist of Beijing Milian and its subsidiaries, all of which provide social networking related services. Beijing Aoyin, a subsidiary of Beijing Milian, obtained its ICP License in December 2025 and did not conduct any business operations during the Track Record Period. In 2023, 2024 and 2025, the revenue contribution of the Consolidated Affiliated Entities accounted for 96.7%, 96.1%, and 93.5% of our total revenue, respectively.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP ACCESS

A summary of our business that are subject to foreign investment restriction or prohibition are set out below:

Restricted Business

Value-added telecommunication services

Pursuant to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), Telecommunications services are categorized into infrastructure telecommunications services and value-added telecommunications services ("**VATS**"), and the telecommunications service providers are required to obtain an ICP License prior to the commencement of their operations.

According to the Negative List, the provision of VATS, which include commercial internet information services pursuant to the Telecommunications Regulations, is a "restricted" business and the shareholding percentage of a foreign investor in companies engaged in such services (excluding e-commerce, domestic multi-party communication, storage-forwarding and call centers) shall not exceed 50%. While foreign investors are able to invest in entities holding an ICP License, whether or not a foreign-invested entity may hold an ICP License is still subject to the approval by the relevant authority. See "— Qualification Requirements — FITE Regulations" for details).

In compliance with PRC laws, each of the Consolidated Affiliated Entities holds an ICP License to operate mobile apps of our Group.

Prohibited business

Internet culture business

The Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》) (the "**Internet Culture Provisions**") provides that Internet culture activities are classified into (i) non-commercial Internet cultural activities; and (ii) commercial Internet cultural activities. To conduct commercial Internet culture activities, an entity should first obtain an Internet Cultural Business License (《網絡文化經營許可證》) (the "**ICB License**").

According to the Negative List, foreign investors are prohibited from holding equity interests in any entity engaging in Internet culture businesses (excluding music).

In line with industry standard and as a practical necessity for the operation and distribution of our mobile apps, each of the Consolidated Affiliated Entities holds an ICB License.

Internet audio-visual program services

According to the Administrative Regulations on Internet Audio-Visual Program Service, entities that provide internet audio-visual program services shall obtain (i) an Audio-Visual Permit (信息網絡傳播視聽節目許可證); or (ii) complete the registration with the "National Internet Audio-Visual Platforms Information Management System" (全國網絡視聽平台信息登記管理系統) (the "**Audio-visual Registration**").

According to the Negative List, foreign investors are prohibited from holding equity interests in any entity engaging in internet audio-visual program services.

In line with industry standard and as a practical necessity for the operation and distribution of our mobile apps, Beijing Milian has completed the Audio-visual Registration.

Qualification Requirements

FITE Regulations

Foreign investment in a company providing VATS, including the provision of internet information services, is subject to the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which were promulgated by the State Council on December 11, 2001, and subsequently amended on September 10, 2008, February 6, 2016 and March 29, 2022 by the Decision on Amending and Abolishing Some Administrative Regulations (《關於修改和廢止部分行政法規的決定》) issued by the State Council (the "**Order No. 752**"), respectively. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in an entity providing VATS, including internet information services, except as otherwise provided in laws and regulations. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC were required to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**"). Following the issue of Order No. 752, the Qualification Requirements previously set out in the FITE Regulations was removed with effect from May 1, 2022. Nevertheless, while foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest and not more) due to Order No. 752, whether or not a foreign-invested entity may hold an ICP License is still subject to the approval by the relevant authority.

The Pilot Programs

On April 8, 2024, the MIIT issued the Circular on Implementing the Pilot Programs Work to Expand the Opening-up of the Value-Added Telecommunications Services (《關於開展增值電信業務擴大對外開放試點工作的通告》), pursuant to which the MIIT launches pilot programs (the "**Pilot Programs**") to expand the opening-up of VATS, and the Pilot Programs will be initially launched in several regions, including Beijing, Shanghai, Hainan and Shenzhen. In the regions approved to launch the Pilot Programs, foreign ownership restrictions in certain value-added telecommunications business will be removed. Foreign-invested enterprises conducting these services in approved pilot regions are required to obtain approval from the MIIT in accordance with applicable law and regulations.

Interview with CAICT

On July 18, 2025, the PRC Legal Advisor conducted an interview with an official from the Industry and Planning Research Institute of the China Academy of Information and Communications Technology (the "**CAICT**"), during which the official confirmed, among other things, the following:

(i) the Industry and Planning Research Institute of the CAICT is responsible for supporting (a) the MIIT on matters relating to market access and supervision for Value-added Telecommunications Business Licenses; and (b) the MIIT on matters relating to the opening-up of the VATs to foreign investment, including the Pilot Program;

(ii) although the formal qualification requirements for foreign investors under the FITE Regulations have been removed, in practice, the competent telecommunications authorities still conduct a substantive review of foreign investors' qualifications when approving applications for ICP Licenses. It was confirmed that public shareholders and the Company's existing foreign investors would not satisfy such substantive requirements;

(iii) for certain functions of the Company's apps, such as "instant messaging services" and "community platform services," an ICP License may currently be obtained only by entities that meet specific criteria. The officer has confirmed that it is extremely difficult for a foreign-invested enterprise to meet such criteria. Given these practical barriers, it was confirmed that it is not advisable for the Company's domestic operating entities to have any foreign shareholding; and

(iv) the entering into of the Contractual Arrangements is not subject to approval or regulation of the competent authority in charge of telecommunications business.

As advised by the PRC Legal Advisor, the CAICT is the competent authority to provide the above confirmations, because (i) the CAICT is an organization directly under the MIIT, and the CAICT provides regulatory support services to the MIIT including (a) the formulation of the Catalogue of Value-added Telecommunications Business License, (b) defining business scopes and classifications, (c) participating in the review of applications for the telecommunications business license, and (d) other matters entrusted by the MIIT; and (ii) the Industry and Planning Research Institute of the CAICT provides research support for the MIIT on industry policy and development planning, as well as consultation services relating to the interpretation of rules and regulations governing value-added telecommunications services, including, among other things, consultation on the review of applications for the value-added telecommunication business licenses and foreign investment policy of the value-added telecommunication business licenses. In addition, the PRC Legal Advisor is of the view that the officer of the CAICT who attended the interview was a competent person to provide the aforementioned confirmations.

As advised by the PRC Legal Advisor, considering the above basis and the business operations of Beijing Milian, as of the Latest Practicable Date, (i) there are practical difficulties and uncertainties as to whether Beijing Milian could satisfy the requirements to obtain an ICP License if it were to become a foreign invested enterprise; and (ii) the removal of the Qualification Requirements by Order No. 752 would not invalidate the Group's ICP licenses or require it to adjust the Contractual Arrangements under applicable PRC laws.

In light of the above CAICT interview and opinion of the PRC Legal Advisor, the Company is practically unable to obtain ICP Licenses through any foreign invested enterprise (even if such foreign investors hold less than 50% of equity interest).

The Company will, where applicable and necessary, communicate with the relevant PRC authorities after the [**REDACTED**] to stay informed of any regulatory developments, and will adjust the Contractual Arrangements to satisfy the "narrowly tailored" principle as set forth in Chapter 4.1 of the Listing Guide to the extent practicable, as soon as practicable, based on further guidance from the relevant PRC authorities.

Fully Integrated Businesses

Our business model is fully integrated and operated through our various our mobile apps, which engage in a combination of both "prohibited" and "restricted" businesses as classified under the Negative List, and required the ICP License, the ICB License and the Audio-visual Registration held by our Consolidated Affiliated Entities. The core functionalities of our mobile apps are technologically and commercially interdependent, forming a unified service offering that cannot be feasibly separated without materially impairing the overall functionality and user experience.

The operation of our mobile apps in the PRC involves providing internet information services to the public, which constitute value-added telecommunication services and therefore require an ICP License under PRC law. Holding an ICP License is a foundational regulatory requirement for the lawful provision of such online services in the PRC.

Our apps' core features involve live, user-generated content, including live video and audio conversations. Holding the ICB License and completing the Audio-visual Registration are critical measures for complying with the relevant PRC regulatory requirements and mitigating the risk of business disruptions. In practice, major mobile application stores in the PRC typically require that apps with real-time audio and video features possess an ICB License as a condition for being listed and distributed. Without such a license, our apps would likely be unable to reach users through these major distribution channels, which would render our business commercially unviable.

The value-added telecommunication services that require an ICP License and the business activities that necessitate the ICB License and the Audio-visual Registration are inextricably linked in terms of technology, product design and commercial operation, and together form a single, indivisible commercial enterprise. This is fundamentally demonstrated by the product design, user experience and commercial model of our flagship app, Yidui. The host-led chatrooms and other interactive features are not standalone products; they are deeply integrated functionalities within the Yidui application, powered by the same underlying source code, proprietary interaction-data-driven matching algorithms and a unified user account system. Users' journeys seamlessly flow from discovery to deep interaction within a single, unified interface.

Yidui's entire business model and value proposition are built on these interactive features. They drive user retention and are the primary setting for monetization through virtual gifting. Separating the basic platform from its core interactive features would effectively dismantle the very product that has generated our revenue and user engagement, and would render the platform commercially purposeless.

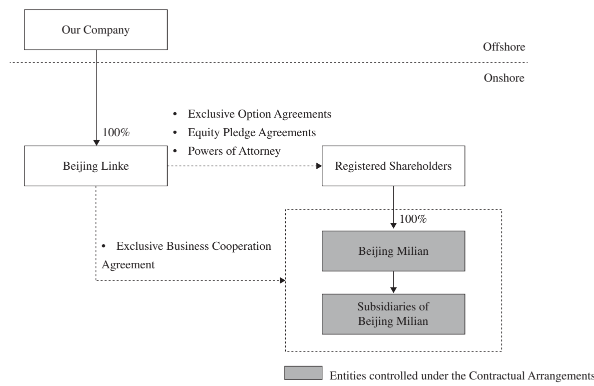
Therefore, it is essential that our Consolidated Affiliated Entities hold the ICP License, the ICB License and the Audio-visual Registration in order to operate our integrated apps and provide our core services in the PRC. Based on the above, the Company is of the view that the Contractual Arrangements are narrowly tailored and necessary for conducting its business in the PRC.

Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable if the Relevant Businesses are no longer subject to foreign investment restrictions. We will seek to directly hold the maximum percentage of ownership interest in the Relevant Business as permitted under the relevant PRC laws and regulations. Upon the relaxation or removal of the relevant foreign investment restrictions, the Beijing Linke will exercise its rights under the Exclusive Option Agreements to acquire the equity interests of the Consolidated Affiliated Entities to the extent permissible.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the structure of the Contractual Arrangements:



Summary of the material terms of the Contractual Arrangements

Exclusive Business Cooperation Agreement

On June 8, 2019, Beijing Linke and Beijing Milian entered into an exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**").

Pursuant to the Exclusive Business Cooperation Agreement, Beijing Milian agreed to engage Beijing Linke as the exclusive provider of Beijing Milian of, among other thing, comprehensive technical support, consulting services and other related services during the term of the Exclusive Business Cooperation Agreement, in accordance with the terms and conditions of the Exclusive Business Cooperation Agreement, including without limitation:

(i) licensing Beijing Milian to use the technology and software legally owned by Beijing Linke in relation to the principal business of Beijing Milian;

(ii) design, development, maintenance and updating of technologies necessary for Beijing Milian's principal business, and provision of related technical consultation and technical services;

(iii) design, installation, daily management, maintenance and updating of network systems and related database;

(iv) technical support and training for employees of Beijing Milian;

(v) assisting Beijing Milian in collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are restricted from conducting under PRC law);

(vi) providing business and management consultation for Beijing Milian;

(vii) providing marketing and promotional services for Beijing Milian;

(viii) development and testing of new products;

(ix) leasing of equipment or properties; and

(x) other related services requested by Beijing Milian from time to time to the extent permitted under PRC law.

Pursuant to the Exclusive Business Cooperation Agreement, Beijing Linke (i) has the sole, exclusive and complete ownership, rights and interests in any and all intellectual properties or intangible assets arising out of or created or developed during the performance of the Exclusive Business Cooperation Agreement by both Beijing Linke and Beijing Milian, including copyrights, patents, patent applications, software, technical secrets, trade secrets and others (to the extent not prohibited by the PRC laws) and (ii) shall reasonably determine the service fee under the Exclusive Business Cooperation Agreement after taking into account the following factors: (a) complexity and difficulty of the services provided by Beijing Linke, (b) seniority of and time consumed by the employees of Beijing Linke providing the services, (c) specific contents, scope and value of the services provided by Beijing Linke, (d) market price of the same type of services and (e) operation conditions of Beijing Milian.

Exclusive Option Agreements

On December 31, 2019, each of Mr. REN Zhe and Mr. ZHU Xiaopu, being the Registered Shareholders, entered into an exclusive option agreement with Beijing Linke and Beijing Milian (the "**Exclusive Option Agreements**").

Pursuant to the Exclusive Option Agreements, each of the Registered Shareholders irrevocably and unconditionally grants Beijing Linke an irrevocable and exclusive right to purchase, or designate one or more persons to purchase the equity interests in Beijing Milian then held by the Registered Shareholders once or at multiple times at any time in part or in whole at Beijing Linke's sole and absolute discretion to the extent permitted by PRC laws. The total price for the purchase by Beijing Linke shall be RMB10. If at the time when Beijing Linke exercises the equity interest purchase option, the PRC laws impose mandatory requirements on the purchase price of such equity interest such that the minimum price permitted under the PRC law exceeds RMB10, then the purchase price shall be such minimum priced permitted by the PRC laws, in which case the Registered Shareholders shall promptly donate all of the amount exceeding RMB10 received by him to Beijing Linke or any other person designated by Beijing Linke in the manner permitted by the applicable PRC laws.

Beijing Milian and the Registered Shareholders, among other things, have covenanted that:

(i) without the prior written consent of Beijing Linke, they shall not in any manner supplement, change or amend the articles of association of Beijing Milian, increase or decrease its registered capital, or change its structure of registered capital in other manners;

(ii) they shall maintain Beijing Milian's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating its business and handling its affairs;

(iii) without the prior written consent of Beijing Linke, they shall not at any time following the date of the Exclusive Option Agreements, sell, transfer, mortgage or dispose of in any manner any material assets of Beijing Milian or legal or beneficial interest in the material business or revenues of Beijing Milian, or allow the encumbrance thereon of any security interest;

(iv) without the prior written consent of Beijing Linke, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans;

(v) they shall always operate all of Beijing Milian's businesses within the ordinary course of business to maintain the asset value of Beijing Milian and refrain from any action/omission that may adversely affect Beijing Milian's operating status and asset value;

(vi) without the prior written consent of Beijing Linke, they shall not cause Beijing Milian to execute any major contract, except the contracts in the ordinary course of business;

(vii) without the prior written consent of Beijing Linke, they shall not cause Beijing Milian to provide any person with any loan or credit;

(viii) they shall provide Beijing Linke with information on Beijing Milian's business operations and financial condition at Beijing Linke's request;

(ix) if requested by Beijing Linke, they shall procure and maintain insurance in respect of Beijing Milian's assets and business from an insurance carrier acceptable to Beijing Linke, at an amount and type of coverage typical for companies that operate similar businesses;

(x) without the prior written consent of Beijing Linke, they shall not cause or permit Beijing Milian to merge, consolidate with, acquire or invest in any person;

(xi) they shall immediately notify Beijing Linke of the occurrence or possible occurrence or any litigation, arbitration or administrative proceedings relating to Beijing Milian's assets, business, revenue or equity interest;

(xii) maintaining the ownership by Beijing Milian of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;

(xiii) without the prior written consent of Beijing Linke, they shall ensure that Beijing Milian shall not in any manner distribute dividends to its shareholders, provided that upon Beijing Linke's written request, Beijing Milian shall immediately distribute all distributable profits to its shareholders;

(xiv) at the request of Beijing Linke, they shall appoint any person designated by Beijing Linke as the director or executive director of Beijing Milian;

(xv) without Beijing Linke's prior written consent, they shall not engage in any business in competition with Beijing Linke or its affiliates;

(xvi) unless otherwise required by PRC law, Beijing Milian shall not be dissolved or liquidated without prior written consent by Beijing Linke; and

(xvii) once PRC laws permits foreign investors to invest in the principal business of Beijing Milian in the PRC, with a controlling stake and/or in the form of wholly foreign-owned enterprises, and the competent government authorities of the PRC begin to approve such investments, upon Beijing Linke's exercise of the equity interest purchase option, the Registered Shareholders shall immediately transfer to Beijing Linke or its designee(s) the equity interest in Beijing Milian held by the Registered Shareholders.

The Exclusive Option Agreements will remain effective till all of the equity interests of Beijing Milian have been transferred to Beijing Linke and/or its designees(s). Unless otherwise required by applicable PRC laws, Beijing Milian and the Registered Shareholders shall not have any right to terminate the exclusive option agreement unilaterally in any event unless otherwise required by the applicable laws.

Equity Pledge Agreements

On December 31, 2019, each of Mr. REN Zhe and Mr. ZHU Xiaopu, being the Registered Shareholders, entered into an equity pledge agreement with Beijing Linke and Beijing Milian (the "**Equity Pledge Agreements**").

Pursuant to the Equity Pledge Agreements, Mr. REN Zhe and Mr. ZHU Xiaopu agreed to pledge all their respective equity interests in Beijing Milian that they own, including any interest or dividend paid for the shares, to Beijing Linke, as a security interest to guarantee the performance of contractual obligations by Beijing Milian and/or Registered Shareholders under the Exclusive Option Agreements, the Powers of Attorney, the Exclusive Option Agreement and the Equity Pledge Agreements.

Should an event of default (as provided in the Equity Pledge Agreements) occur, unless it is rectified or waiver, Beijing Linke shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Equity Pledge Agreements.

The pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.

Powers of Attorney

On December 31, 2019, Mr. REN Zhe and Mr. ZHU Xiaopu, being the Registered Shareholders, executed an irrevocable power of attorney (each a "**Power of Attorney**" and collectively, the "**Powers of Attorney**") appointing Beijing Linke as proxy of the relevant Registered Shareholder to exercise all of their respective shareholders' rights in the Beijing Milian, including without limitation:

(i) convening and attend shareholders' meetings of Beijing Milian;

(ii) exercising all of the shareholder's rights and shareholder's voting rights that he is entitle under the laws of PRC and the articles of association of Beijing Milian;

(iii) handling the sale, transfer, pledge and disposition of his shareholding in Beijing Milian, including without limitation executing all necessary equity transfer documents and other documents for disposal of his shareholding in Beijing Milian and fulfilling all necessary procedures;

(iv) representing him in executing any resolutions and minutes as a shareholder of Beijing Milian;

(v) nominating, electing, designating, appointing or removing on behalf of himself the legal representative, directors, supervisors, general managers, chief financial officer and other senior management members of Beijing Milian; and

(vi) approving the amendments to the articles of association of Beijing Milian.

As a result of the Powers of Attorney, we, through Beijing Linke, are able to exercise management control over the activities that most significantly impact the economic performance of Beijing Milian.

Further, the Powers of Attorney shall remain effective for so long as each shareholder holds equity interest in Beijing Milian.

Spouse Undertakings

On December 31, 2019, the respective spouses of Mr. REN Zhe (任喆) and Mr. ZHU Xiaopu (朱曉樸) each signed a consent letter, which, among other things, confirmed that:

(i) each spouse unconditionally and irrevocably agrees to the execution of the Equity Pledge Agreement, Exclusive Option Agreement and Power of Attorney (the "**Transaction Documents**");

(ii) each spouse further undertakes not to make any assertions in connection with the equity interests of Beijing Milian which are held by her spouse and confirm that her spouse can perform the Transaction Documents and further amend or terminate the Transaction Documents without the authorization or consent from her;

(iii) each spouse will enter into all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements as amended from time to time; and

(iv) each spouse agrees and undertakes that if she obtain any equity interests of Beijing Milian which are held by her spouse for any reasons, she shall be bound by the Transaction Documents and the Exclusive Business Cooperation Agreement (as may be amended from time to time) and comply with the obligations thereunder as a shareholder of Beijing Milian. For this purpose, upon Beijing Linke's request, she shall sign a series of written documents in substantially the same format and content as the Transaction Documents and the Exclusive Business Cooperation Agreement (as may be amended from time to time).

Dispute Resolution

Each of the agreements underlying the Contractual Arrangements stipulate that in the event of any dispute arising out of or in relation to the agreements underlying the Contractual Arrangements, the parties shall first negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute, any party may submit such dispute to the Beijing Arbitration Commission for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the results of the arbitration shall be final and binding on all relevant parties.

In addition, pursuant to the dispute resolution clause, the arbitral tribunal may award remedies over the equity interests or assets of the relevant Consolidated Affiliated Entity or injunctive relief, including prohibition order or order the winding up of the relevant Consolidated Affiliated Entity, and the courts of the PRC (being the place of incorporation of the relevant Consolidated Affiliated Entity and the place where our Company's and the relevant

Consolidated Affiliated Entity's principal assets are located), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies.

However, our PRC Legal Advisor has advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Beijing Milian under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Beijing Milian pursuant to the current PRC laws.

Succession

Each of the agreements underlying the Contractual Arrangements (as applicable) is binding on the successors of the Registered Shareholders As advised by our PRC Legal Advisor, the provisions of the Contractual Arrangements shall be binding upon any successor(s) of the Registered Shareholder as if such successor(s) were parties to the Contractual Arrangements, including in the event of the loss of capacity, death, bankruptcy, marriage, or divorce of the Registered Shareholder.

Conflicts of Interest

Each of the Registered Shareholders of Beijing Milian has given his irrevocable undertakings in the powers of attorney which address potential conflict of interests that may arise in connection with the Contractual Arrangements. See the subsection headed "— Powers of Attorney" in this section.

Loss sharing

Neither the agreements constituting the Contractual Arrangements nor PRC laws provide or require that our Company or Beijing Linke be obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, given that our Group conducts its businesses in the PRC through our Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's financial statements under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on Beijing Linke and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

Liquidation

Pursuant to the Exclusive Option Agreements, in the event of a liquidation, all of the liquidation income of the VIE shall be donated to Beijing Linke or its designees in the manner permitted by the applicable PRC laws.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements". We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" in this document.

Our Confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations to the maximum extent and that:

(i) each of Beijing Linke, Beijing Milian and its subsidiaries is a duly incorporated and validly existing company and their respective establishment is valid, effective and complies with the relevant PRC laws;

(ii) parties to each of the agreements under the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of the agreements under the Contractual Arrangements is void under the Civil Code of the PRC;

(iii) the execution and performance of the agreements under the Contractual Arrangements does not violate any provisions of the respective articles of association of Beijing Milian or Beijing Linke;

(iv) the Contractual Arrangements do not require any approvals from the PRC governmental authorities under the PRC laws currently in effect, except that:

   (a) the exercise of the option by Beijing Linke of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Beijing Milian is subject to the approvals of, filing with and/or registrations with the PRC regulatory authorities;

(b) the equity pledges contemplated under the Equity Pledge Agreement are subject to the registration with the relevant SAMR;

(c) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and

(v) each of the agreements under the Contractual Arrangements does not constitute a breach of applicable PRC laws and regulations and is valid, legal and binding under the PRC laws, and enforceable against the relevant party to such agreements in accordance with their respective terms, except that the Contractual Arrangements provide that the arbitral body may award interim remedies over the shares and/or assets of Beijing Milian, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or order the winding up of Beijing Milian, and that courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of Beijing Milian) also have jurisdiction for the grant and/or enforcement of arbitral award and interim remedies against the shares and/or assets of Beijing Milian, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Beijing Milian in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

However, our PRC Legal Advisor also advised us that there are substantial 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 analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements."

As of the Latest Practicable Date, the Company has not received any formal sanctions or regulatory objection to our [**REDACTED**] plan or Contractual Arrangements from any PRC authorities (including the CSRC).

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our Consolidated Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our Consolidated Affiliated Entities.

Under the Exclusive Business Cooperation Agreement, Beijing Milian agreed to engage Beijing Linke as the exclusive provider of Beijing Milian of, among other thing, comprehensive technical support, consulting services and other related services in the term of the contract. Beijing Milian will pay services fees to Beijing Linke. The service fees consist of a management fee and a fee for services provided, which shall be reasonably determined by Beijing Linke.

Under the Exclusive Option Agreements, Beijing Linke has absolute contractual control over the distribution of dividends to the Registered Shareholders as Beijing Linke's prior written approval is required before any such distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from Beijing Milian, the Registered Shareholders shall, so long as permitted under PRC law, forthwith transfer such benefits received at nil consideration to Beijing Linke. In addition, there is also similar arrangement pursuant to the Equity Pledge Agreement as such stipulation under the Exclusive Option Agreements with respect to distribution of dividends.

As advised by our PRC Legal Advisor, each of the agreements under the Contractual Arrangements, is enforceable under the PRC laws and regulations. Accordingly, the Group has obtained control over Beijing Milian, has the rights to exercise power over Beijing Milian, receive variable returns from its involvement in Beijing Milian, and has the ability to affect those returns through its power over Beijing Milian. Therefore, our Directors consider that the Company can consolidate the financial results of the Consolidated Affiliated Entities into the Group's financial information as if they were the Company's subsidiary and the Contractual Arrangements collectively enable us to receive substantially all the economic benefits of Consolidated Affiliated Entities. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 1 to the Accountants' Report set out in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(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 our annual reports after the [**REDACTED**]; and

(iv) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, and review the legal compliance of Beijing Linke and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign-Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Regulations on the Implementation of the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including the Group. We use the Contractual Arrangements to establish control of the Consolidated Affiliated Entities, by Beijing Linke, through which we operate the relevant business in the PRC. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see "Contractual Arrangements — Legality of the Contractual Arrangements."

Investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods." There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See "Risk Factors — Risks Relating to Our Contractual Arrangements."