OVERVIEW

Foreign investment activities in the PRC are mainly governed by the Negative List and the Catalog (collectively known as the "**Relevant PRC Regulations**"). Based on the Relevant PRC Regulations, industries for foreign investors to make investment can be divided into four categories in terms of foreign investment, namely. "encouraged", "permitted", "restricted" and "prohibited". Industries not listed under the Relevant PRC Regulations are generally deemed as falling into the "permitted" category. See "Regulatory Overview—Regulations Relating to Foreign Investment" in this document for details.

Below table sets out a summary of our businesses and the corresponding business sectors carried out by our Consolidated Affiliated Entities (the "**Relevant Business**") which are subject to foreign investment restriction or prohibition under the Relevant PRC Regulations.

Consolidated Affiliated Entity	Description of business	Licenses Required for Relevant Businesses	Category under the Relevant PRC Regulations
PPIO Shanghai	Provision of Edge Cloud and AI Cloud services	Value-Added Telecommunications Business Operating License (IDC/CDN/ISP)	Prohibited
		Value-Added Telecommunications Business Operating License (ICP)	Restricted

Although we have a Hong Kong subsidiary, namely PPLabs HK, it does not meet all the requirements of a Hong Kong value-added telecommunication service suppliers under the relevant rules stipulated in the Mainland and Hong Kong Closer Economic Partnership Arrangement and the Mainland and Macao Closer Economic Partnership Arrangement (collectively, "**CEPA**") and does not possess the actual experience needed for applying as a Hong Kong service supplier of value-added telecommunications from the Hong Kong Trade and Industry Department, which is the pre-requisite for enjoying preferential treatment under CEPA. We are therefore not qualified under the CEPA exemption for 50% equity interest in value-added telecommunication services.

As illustrated above, since foreign investment in certain areas of the industry in which we currently operate is subject to foreign investment prohibition under current Relevant PRC Regulations, we determined that it was not viable for us to hold the Consolidated Affiliated Entities directly or indirectly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment prohibition, we would hold the interest and gain effective control over the Consolidated Affiliated Entities through Shanghai DAO under the Contractual Arrangements.

Our Directors are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. According to the Negative List, within the scope of the telecommunications services that China has promised to open up in its accession to the WTO, foreign investors are restricted from holding more than 50% of the equity interest of enterprises operating such value-added telecommunications services (except for e-commerce, domestic multi-party communication, storage and forwarding and call center). Any value-added telecommunication services that are not included in the scope of China's WTO commitments to open up to foreign investment, including the provision of internet data center services, internet access services, domestic internet protocol virtual private network services and content delivery network services, are generally prohibited from foreign investment, except for certain allowed investment by qualified telecommunication service enterprise incorporated in Hong Kong or Macau in accordance with CEPA.

2. Based on the consultation conducted by our PRC Legal Advisor on May 28, 2025 with competent authorities, our PRC Legal Advisor confirmed that the Contractual Arrangements are not prohibited by the current laws and regulations.

   Our PRC Legal Advisor is of the view that based on the above-mentioned confirmation, to maintain the business operation of the Consolidated Affiliated Entities and to hold the interest in the Consolidated Affiliated Entities in compliance with applicable PRC laws and regulations and local governmental authorities' requirements, the Consolidated Affiliated Entities could be held by our Company through the Contractual Arrangements.

3. We provide edge cloud computing services and AI cloud computing services to our customers and is required to obtain a value-added telecommunications business operating license for the provision of Internet information services, or the ICP License. Thus, our Directors consider the ICP License is inseparable part of our Relevant Business.

4. Generative Era is a wholly-owned subsidiary of PPIO Shanghai and was established on September 6, 2024. As at the Latest Practicable Date, Generative Era has been licensed for ICP which is "restricted" for foreign investment under the Negative List.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among Shanghai DAO, PPIO Shanghai and the Registered Shareholders and their spouses; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with Shanghai DAO, which is our subsidiary established in the PRC, PPIO Shanghai will enjoy better economic and technical support from us, as well as a better market reputation after the [**REDACTED**]; and (iii) there are a number of other companies using similar arrangements to accomplish the same purpose.

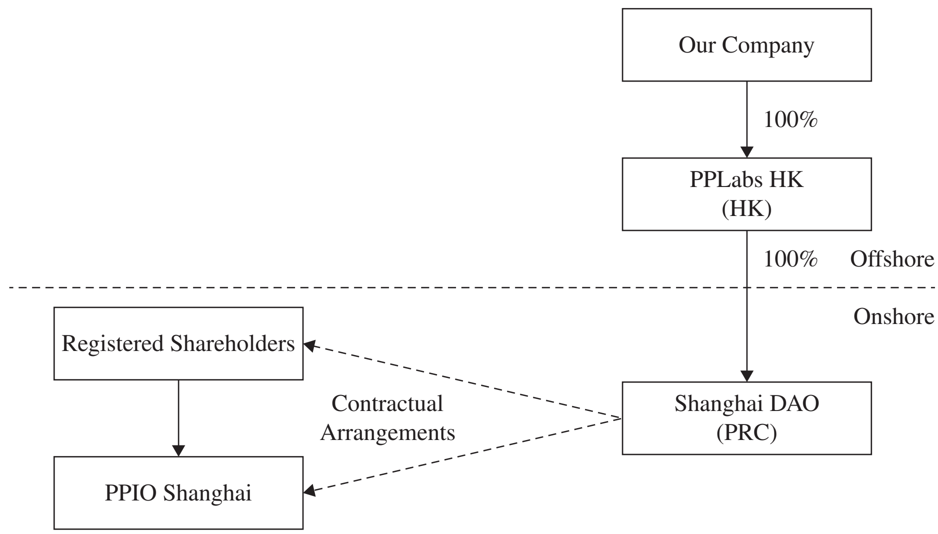
We will unwind and terminate the Contractual Arrangements wholly or partially in respect of the operation of our Relevant Businesses to the extent permissible and directly hold the maximum percentage of ownership interests permissible by the Relevant PRC Regulations if our Relevant Businesses are no longer prohibited or restricted from foreign investment or the relevant government authorities grant the VAT License and/or other requisite permit for our Relevant Businesses to a sino-foreign equity joint venture or wholly-owned foreign investment entity established by our Company.

We will make periodic inquiries with relevant PRC authorities to understand any new regulatory development (including the Announcement on Conducting Pilot Work to Expand the Opening-Up of Value-Added Telecommunications Services (《工業和信息化部關於開展增值電信業務擴大對外開放試點工作的通告》) issued and implemented by the MIIT on April 8, 2024) and assess and evaluate our Contractual Arrangements.

See "Regulatory Overview—Regulations Related to Value-added Telecommunications Services" in this document for details of the licensing and approval requirements applicable to the Relevant Businesses under the Relevant PRC Regulations.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from PPIO Shanghai to our Group stipulated under the Contractual Arrangements:



Notes:

(1) "→" denotes legal and beneficial ownership in the equity interests.

(2) "--→" denotes contractual relationship through the Contractual Arrangements.

(3) Through a loan agreement dated March 12, 2021 as amended by a supplemental agreement dated June 10, 2025, Shanghai DAO provided a loan of RMB3 million to Ms. Lyu and RMB2 million to Mr. Wang, for the sole purpose to contribute to the registered capital of PPIO Shanghai. See "Summary of the Material Terms of the Contractual Arrangements—Loan Agreement" in this section for details.

(4) Shanghai DAO provides technical support, consulting services and other services in exchange for service fees from PPIO Shanghai. See "Summary of the Material Terms of the Contractual Arrangements—Exclusive Business Cooperation Agreement" in this section for details.

(5) The Registered Shareholders executed the exclusive option agreements in favor of Shanghai DAO, for the acquisition of all or part of the equity interests and/or assets in PPIO Shanghai. See "Summary of the Material Terms of the Contractual Arrangements—Exclusive Business Option Agreements" in this section for details.

(6) The Registered Shareholders granted first priority security interest in favor of Shanghai DAO, over the entire equity interests in PPIO Shanghai. See "Summary of the Material Terms of the Contractual Arrangements—Equity Pledge Agreements" in this section for details.

(7) The Registered Shareholders executed powers of attorney in favor of Shanghai DAO, for the exercise of all shareholders' rights in PPIO Shanghai. See "Summary of the Material Terms of the Contractual Arrangements—Powers of Attorney" in this section for details.

(8) The spouse of each of Ms. Lyu and Mr. Wang (each being a Registered Shareholder who is an individual and has a spouse) executed an undertaking in favor of Shanghai DAO. See "Summary of the Material Terms of the Contractual Arrangements—Spouse Undertakings" in this section for details.

(9) As at the Latest Practicable Date, PPIO Shanghai was held by the following Registered Shareholders in the following percentages:

Shareholders	Approximate percentage of shareholding
Ms. Lyu	60%
Mr. Wang	40%
Total	100.00%

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

Loan Agreement

Shanghai DAO entered into a loan agreement with Ms. Lyu on March 12, 2021 (the "**Loan Agreement**" as amended by a supplemental agreement to a series of agreements dated June 10, 2025 entered into amongst Shanghai DAO, PPIO Shanghai and the Registered Shareholders (the "**Supplemental Agreement**")), pursuant to which, Shanghai DAO agreed to provide RMB3 million loan to Ms. Lyu and RMB2 million loan to Mr. Wang (collectively, the "**Loan**") for the sole purpose to contribute to the registered capital of PPIO Shanghai. The term of the Loan Agreement is ten years from the date thereof and can be extended by Shanghai DAO in its sole discretion.

Exclusive Business Cooperation Agreement

Shanghai DAO entered into an exclusive business cooperation agreement with PPIO Shanghai on March 12, 2021 (the "**Exclusive Business Cooperation Agreement**", as amended by the Supplemental Agreement), pursuant to which, in exchange for a service fee, Shanghai DAO agreed to provide PPIO Shanghai with business support, technical service and consultation service, including but not limiting to, technical service, network support, business consultation, intellectual properties licensing, equipment and office leasing, market consultation, system integration and product research and development.

PPIO Shanghai shall pay service fees to Shanghai DAO based on the actual work done and commercial value of the services provided. Subject to compliance with the relevant PRC laws and regulations, the service fee under the Exclusive Business Cooperation Agreements shall consist of 100% of the profits of PPIO Shanghai.

Shanghai DAO shall provide the above services to PPIO Shanghai on an exclusive basis, which means that not only does PPIO Shanghai agree to accept the above services provided by Shanghai DAO, it also agrees that, during the term of the Exclusive Business Cooperation Agreement, without prior written consent of Shanghai DAO, PPIO Shanghai shall not (1) directly or indirectly accept services provided by any third party, that are identical or similar to the services contemplated in the Exclusive Business Cooperation Agreement; or (2) establish cooperation relationships similar to that formed by the Exclusive Business Cooperation with other entities, enterprises or any third party. Shanghai DAO may appoint other parties, who may enter into certain agreements with PPIO Shanghai, to provide PPIO Shanghai with the consultations and/or services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that Shanghai DAO shall have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by PPIO Shanghai and its subsidiaries during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement has an initial term of 10 years from the date of its execution. Only Shanghai DAO has the right, in its sole discretion, to determine whether to extend the Exclusive Business Cooperation Agreement upon expiry and, if so, the duration of such extension. PPIO Shanghai agreed to irrevocably and unconditionally accept the decision made by Shanghai DAO on the extension. The Exclusive Business Cooperation Agreement shall remain in force until expiry, if not extended pursuant to its terms and conditions. Shanghai DAO has the right to terminate the Exclusive Business Cooperation Agreement at any time by 30-day prior notice while PPIO Shanghai is only entitled to terminate the Exclusive Business Cooperation Agreement in the event that there is gross negligence or fraud on the part of Shanghai DAO.

Exclusive Option Agreements

Shanghai DAO, the Registered Shareholders and PPIO Shanghai entered into an exclusive option agreement on March 12, 2021 (the "**Exclusive Option Agreements**", as amended by the Supplemental Agreement), pursuant to which Shanghai DAO and/or its designee(s) has been granted an irrevocable and exclusive right from the Registered Shareholders and PPIO Shanghai to purchase all or any part of (i) the equity interests in PPIO Shanghai and/or its subsidiaries and (ii) the assets of PPIO Shanghai and/or its subsidiaries, at any time and from time to time, at RMB1 or the lowest price legally permissible under the applicable laws of PRC (the "**Exclusive Option Rights**").

To exercise the Exclusive Option Rights, Shanghai DAO (or its designee(s)) should issue written notice (the "**Notice**"), which should set out the decision to exercise the Exclusive Option Rights, percentage of the equity interests to be acquired and the date of transfer of the relevant equity interests. When exercising the Exclusive Option Rights to acquire equity interests, each of the Registered Shareholders or PPIO Shanghai (where applicable) shall (i) enter into sale and purchase agreement with Shanghai DAO (or its designee(s)); (ii) procure PPIO Shanghai and/or its subsidiaries to convene shareholders' meeting to approve the transaction; and (iii) execute all such documents and take all necessary actions, so that the relevant equity interests in PPIO Shanghai and/or its subsidiaries as set out in the Notice can be effectively transferred to and registered under the name of Shanghai DAO (or its designee(s)).

PPIO Shanghai and the Registered Shareholders (as shareholders of PPIO Shanghai within the authority of shareholders) covenant and warrant, among other things, that:

- without the prior written consent of Shanghai DAO, not to supplement, change or modify the articles of association of PPIO Shanghai in any form, increase or decrease its registered capital, or change its registered capital structure in other ways;

- maintain the effective existence of the company, prudently and effectively operate its business and handle company affairs in accordance with good commercial standards and practices;

- without the prior written consent of Shanghai DAO, not to sell, transfer, mortgage or otherwise dispose of the legal or beneficial interests of any assets, business or income of PPIO Shanghai, or permit any other security interest to be encumbered thereon, at any time from the date of execution of the Exclusive Option Agreements;

- after liquidation occurs, the Registered Shareholders shall pay in full any remaining residual value they collected to Shanghai DAO on a non-reciprocal payment basis. If such payments are prohibited by the PRC laws, the Registered Shareholders shall make payment to Shanghai DAO (or its designee(s)) in such way permitted under the PRC laws;

- without the prior written consent of Shanghai DAO, no debt shall be incurred, inherited, guaranteed or exist, except (i) debts incurred in the normal or ordinary course of business rather than through borrowing, and (ii) debts that have been disclosed to Shanghai DAO and its written consent has been obtained;

- have been operating all businesses in the normal course of business in order to maintain the asset value of PPIO Shanghai, and refrain from any action/omission that would affect its operating conditions and asset value;

- without the prior written consent of Shanghai DAO, PPIO Shanghai shall not sign any material agreements in an amount exceeding RMB100,000, except for agreements signed in the ordinary course of business;

- without the prior written consent of Shanghai DAO, PPIO Shanghai will not provide loans, guarantees or credits to anyone;

- at Shanghai DAO's request, provide Shanghai DAO with all information about the operation and financial status of PPIO Shanghai;

- if requested by Shanghai DAO, PPIO Shanghai shall purchase and maintain insurance from an insurance company approved by Shanghai DAO, and the amount and types of insurance maintained shall be consistent with those of companies operating similar businesses and owning similar properties or assets in the same area;

- without the prior written consent of Shanghai DAO, PPIO Shanghai shall not merge or consolidate with or acquire or invest in any entity, or sell any of its assets valued at RMB100,000 or above;

- immediately notify Shanghai DAO of the occurrence or possible occurrence of litigation, arbitration or administrative procedures related to the assets, business and income of PPIO Shanghai. PPIO Shanghai will take all necessary measures according to Shanghai DAO's instruction;

- in order to maintain the ownership of all assets of PPIO Shanghai, sign all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate charges or make necessary and appropriate claims for all claims appropriate defenses;

- without the prior written consent of Shanghai DAO, PPIO Shanghai shall not distribute dividends in any form to its shareholders. Upon Shanghai DAO's request, PPIO Shanghai shall immediately distribute all distributable profit to its shareholders; and

- according to Shanghai DAO's request, appoint any person designated by Shanghai DAO to serve as PPIO Shanghai's director or remove any current director.

The Registered Shareholders, separately and jointly, irrevocably covenant and warrant that, they shall, among other things:

- without Shanghai DAO's prior written consent, not to sell, transfer, mortgage or otherwise dispose of any legal or beneficial interests of PPIO Shanghai, or allow any other security interests to be created, except for the security interests arising under the pledge of equity interest under the Equity Pledge Agreement;

- not require PPIO Shanghai to make any distribution of profits in the form of dividends or by any other means and guarantee not to propose any resolutions in this connection at the general meeting or otherwise vote in favor of such resolutions in the general meeting. Any income, profit distribution, dividend received by the Registered Shareholders shall be held by the Registered Shareholders for the account of Shanghai DAO and the Registered Shareholders shall, to the extent permitted under the PRC law, transfer such income, profit distribution, dividend to Shanghai DAO or any person designated by it, as the service fee payable to Shanghai DAO under the Exclusive Business Cooperation Agreement;

- procure that the shareholders' meeting and cause the board of directors of PPIO Shanghai, not to approve the sale, transfer, mortgage or other disposal of any legal or beneficial interest held by the Registered Shareholders in PPIO Shanghai, without the prior written consent of Shanghai DAO, or allow any other security interests to be created thereon, except for the security interests arising under the Equity Pledge Agreements;

- procure that the shareholders' meeting and cause the board of directors of PPIO Shanghai, not to approve PPIO Shanghai's merger or alliance with anyone, or the acquisition of any company or invest in any company without the prior written consent of Shanghai DAO;

- immediately notify Shanghai DAO of the occurrence or possible occurrence of any litigation, arbitration or administrative procedure concerning its equity interest in PPIO Shanghai, and take all necessary measures according to Shanghai DAO's reasonable requirements;

- procure the shareholders' meeting and cause the board of directors of PPIO Shanghai to approve of the transfer of the purchased equity stipulated in the Exclusive Option Agreements and take any other actions at the request of Shanghai DAO;

- to execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate charges or defend all necessary and appropriate claims in order to maintain their ownership of the shares in PPIO Shanghai;

- according to the request of Shanghai DAO, to appoint any person designated by Shanghai DAO as the director of PPIO Shanghai;

- upon Shanghai DAO's request at any time, to unconditionally and immediately transfer their equity interest and/or assets to Shanghai DAO or the person designated by Shanghai DAO at any time and to surrender their respective rights of first refusal (if any);

- strictly abide by the provisions of the Exclusive Option Agreements and other agreements signed jointly or separately by the Registered Shareholders, Shanghai DAO and PPIO Shanghai, earnestly perform the obligations under these agreements, and not to carry out any actions/inactions that can affect the effectiveness or enforceability of these agreements. If the Registered Shareholders still retain any rights to their equity interests under the Exclusive Option Agreements or under the Equity Pledge Agreements signed by the parties to the Exclusive Option Agreements or the power of attorney to Shanghai DAO, the Registered Shareholders shall not exercise such rights unless Shanghai DAO instructs in writing.

The Exclusive Option Agreement shall remain effective upon the execution unless terminated in the event that any equity interests of PPIO Shanghai held by the Registered Shareholders and/or assets held by PPIO Shanghai and its subsidiaries are legally transferred to Shanghai DAO and/or the designated person(s) in accordance with the provisions of the Exclusive Option Agreement. Notwithstanding the above, Shanghai DAO always has the right to terminate the Exclusive Option Agreement at any time by giving written notice to the Registered Shareholders and PPIO Shanghai thirty (30) days in advance, and Shanghai DAO does not need to bear any liability for breach of contract for unilateral termination of the Exclusive Option Agreement.

Equity Pledge Agreements

Shanghai DAO entered into an equity pledge agreement with PPIO Shanghai and the Registered Shareholders on March 12, 2021 (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders agreed to pledge all of their current and future respective equity interests in PPIO Shanghai as first priority to Shanghai DAO to guarantee all direct, indirect, consequential losses and loss of predictable benefits suffered by Shanghai DAO due to any breach of contract by the Registered Shareholders and/or PPIO Shanghai, the Registered Shareholders and PPIO Shanghai shall perform in full and on time under the Contractual Arrangements, including but not limited to the payment by PPIO Shanghai to Shanghai DAO of the consulting and service fees specified in the Contractual Arrangements (whether or not such fees are due and payable due to the due date, early collection requirements or other reasons).

The pledge under the Equity Pledge Agreement shall take effect upon the completion of registration of the pledge with the relevant market supervision authority, and shall remain valid until (1) the expiration or early termination of the Contractual Arrangements; (2) all service fees under the Contractual Arrangements are paid, and the Registered Shareholders and PPIO Shanghai no longer undertake any obligations under the Contractual Arrangements; and (3) after the Registered Shareholders legally transfer all the equity interests in PPIO Shanghai to Shanghai DAO and/or the designated person in accordance with the stipulations in the Exclusive Option Agreements.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement) and after sending the notice of default, Shanghai DAO shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreements, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests of the Registered Shareholders.

Powers of Attorney

Each of Registered Shareholders executed a powers of attorney on March 12, 2021 (the "**Powers of Attorney**" as amended by the Supplemental Agreement), pursuant to which each of the Registered Shareholders unconditionally and irrevocably appoint Shanghai DAO (and its designee(s)) as each of their sole and exclusive attorney-in-fact, to exercise on each of their behalf, all the rights that each of them has as the shareholders of PPIO Shanghai as set out in the then-valid articles of association of PPIO Shanghai, including but not limited to:

- propose, convene and attend the shareholders' meeting of PPIO Shanghai;
- exercising all shareholder rights that each of them enjoys in accordance with the PRC laws and the articles of association of PPIO Shanghai, including but not limited to shareholder voting rights, the right to sell or transfer, pledge or dispose of all or any part of each of their equity;
- as each of the Registered Shareholders' authorized representative, designate and elect the legal representative (chairman), director (or executive director), supervisor, chief executive officer (or general manager), and other senior management personnel of PPIO Shanghai;
- the right to dividends, approval of budgets, company mergers, changes in share capital, signing of motions and other rights;
- sign on behalf of the Registered Shareholders the relevant equity transfer agreement, asset transfer agreement, capital reduction agreement, capital increase agreement, shareholders' meeting resolution, minutes of meeting and other relevant documents when the conditions for the right to purchase equity or assets as stipulated in the Exclusive Option Agreements have been fulfilled, as well as handle the governmental approval procedures required for the transfer, capital reduction and capital increase on behalf of the Registered Shareholders or PPIO Shanghai;
- filing lawsuits or taking other legal actions against PPIO Shanghai's legal representatives, directors, supervisors, general manager and other senior management personnel when the behavior of such persons is detrimental to the interests of PPIO Shanghai or the Registered Shareholders;

- other rights in accordance with the laws and regulations of the PRC and the Articles of Association of the Company, the right to dividends, approval of budgets, company mergers, changes in share capital, signing of motions and other rights.

The Registered Shareholders undertake that they will not revoke the appointment of Shanghai DAO (and its designee(s)) as their attorney-in-fact.

The Powers of Attorney shall be effective upon the completion of execution, and shall remain effective so long as each of the Registered Shareholders hold equity interests in PPIO Shanghai.

Spouse Undertakings

The spouse of each of the Registered Shareholders, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) confirms and agrees that in whatever circumstances, the equity interests (together with any other interests therein) of PPIO Shanghai held and to be held by each of the Registered Shareholders shall be dealt with as stipulated under the Contractual Arrangements; (ii) the equity interests in PPIO Shanghai are personal properties of each of the Registered Shareholders and no authorization or consent of her/his is required when performance, modification or termination of the Contractual Arrangements or execution of other documents in place of any agreements under the Contractual Arrangements; (iii) the spouse undertakes not to claim rights or interests over the equity interests in PPIO Shanghai; (iv) the spouse undertakes that if he/she received any equity interests in PPIO Shanghai owned by the relevant Registered Shareholder, he/she will be bound by the Contractual Arrangements and will perform the obligations thereunder as a registered shareholder of PPIO Shanghai and will, upon request of Shanghai DAO, execute a new set of agreements with terms similar to the Contractual Arrangements.

The spouse of each of the Registered Shareholders further confirms, undertakes and guarantees that in the event of death, incapacity, divorce, bankruptcy or other circumstances regarding the Registered Shareholders which may affect the exercise of each of their equity interests (together with any other interests therein) in PPIO Shanghai, the Registered Shareholder's respective spouse, successor, custodian, creditor, and any other person/entity which may as a result of the above events claim rights or other benefits on the equity interests (together with any other interests therein) in PPIO Shanghai will not in any way take any action in any circumstances that may affect or hinder the Registered Shareholders' performance of their obligations under the Contractual Arrangements.

Dispute Resolution

Each of the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, the parties shall negotiate in good faith and if the dispute has not been resolved within 30 days after the deliver of negotiation request by a party, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Beijing. The language used during arbitration shall be Chinese. The arbitration rulings shall be final and binding on all parties.

Pending the formation of the arbitral tribunal and where appropriate, parties to the Contractual Arrangements shall have the right to apply to a court of competent jurisdiction for the promulgation and/or enforcement of preservation measures or other applicable interim measures to support the conduct of the arbitration, including, but not limited to, detention or freezing of judgments or awards on the property or equity of the other parties. After the arbitral award becomes effective, any party to the Contractual Arrangements shall have the right to apply to the competent court for enforcement of the arbitral award. Competent courts in the PRC, Hong Kong, the Cayman Islands or other jurisdictions (including the court of the place of incorporation of the Company, the court of the place of incorporation of PPIO Shanghai, or the court of the location of the principal assets of PPIO Shanghai or Shanghai DAO) shall be deemed to have jurisdiction for the above purposes.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of PPIO Shanghai pursuant to the current PRC laws and regulations. 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.

As a result of the above, in the event that PPIO Shanghai or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over PPIO Shanghai and conduct our business could be materially and adversely affected. See "Risk Factors—Risks Relating to Our Contractual Arrangements" in this document for details.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents, and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Shanghai DAO can enforce its rights against the successors.

Conflicts of Interests

The Registered Shareholders have undertaken in the Powers of Attorney that each of their authorization under the Powers of Attorney will not give rise to any actual or potential conflict of interest between the Registered Shareholders and Shanghai DAO and/or its authorized person. If each of the Registered Shareholders is also a director (or executive director) or senior management of the overseas parent company of Shanghai DAO or Shanghai DAO, each of the Registered Shareholders confirmed that the Powers of Attorney shall be enforced in a manner most beneficial to the overseas parent company of Shanghai DAO or Shanghai DAO.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or our wholly-owned PRC subsidiary, Shanghai DAO, is obligated to share the losses of PPIO Shanghai. Further, PPIO Shanghai is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under the relevant PRC laws and regulations, our Company or Shanghai DAO is not expressly required to share the losses of PPIO Shanghai or provide financial support to PPIO Shanghai. Shanghai DAO may, however, provide or assist PPIO Shanghai in obtaining financial support at its sole discretion. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through the Consolidated Affiliated Entities which holds the requisite PRC licenses and approvals, and that results of operations and assets and liabilities of the Consolidated Affiliated Entities are consolidated into our Group's results of operations and assets and liabilities under the applicable accounting principles, our Company's business, financial condition, and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event that PPIO Shanghai is required by the PRC law to dissolve or liquidate, after the liquidation, each of the Registered Shareholders irrevocably undertakes to pay in full any remaining residual value received by them to Shanghai DAO or the party designated by it, or to cause such payment to occur, in accordance with the provisions and requirements of PRC law at that time.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. We have determined that the costs of insurance for the risks associated with the 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, our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements. See "Risk Factors—Risks Relating to Our Contractual Arrangements" in this document for details.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through PPIO Shanghai under the Contractual Arrangements.

EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over PPIO Shanghai and its subsidiaries, is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us, PPIO Shanghai and the Registered Shareholders on the following basis:

(i) the arrangement under the Exclusive Business Cooperation Agreement will ensure that all economic benefits generated from the operations of PPIO Shanghai will flow to Shanghai DAO whilst ensuring compliance with applicable PRC laws and regulations and allowing PPIO Shanghai to continue to maintain the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such value-added telecommunication service which are restricted or prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Group as a whole. The delineation of the assets and staffing between Shanghai DAO, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and PPIO Shanghai, which shall be responsible for the operations of the Relevant Businesses and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and the conditions of the VAT Licence granted to PPIO Shanghai, would allow a proper discharge of the respective responsibilities of Shanghai DAO and Shanghai DAO under the Contractual Arrangements and also ensure sound and effective operation of our Company and our Relevant Businesses in compliance with the Contractual Arrangements and applicable laws and regulations;

(ii) under the Exclusive Option Agreement, the Registered Shareholders has granted Shanghai DAO an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in PPIO Shanghai, at any time and from time to time, at RMB1 or the lowest price legally permissible under the applicable laws of PRC. These provisions enable Shanghai DAO or its designee(s) to act as the shareholder(s) of its choice to take over the equity interests in PPIO Shanghai at any time and thereby ensuring that our Group will continue to maintain our interest in PPIO Shanghai upon the exercise of the right pursuant to the Exclusive Option Agreement;

(iii) under the Equity Pledge Agreement, the Registered Shareholders pledged all of their respective equity interests in PPIO Shanghai to Shanghai DAO, and all such pledges have been properly registered with the relevant administration. The registered pledges effectively prevent the Registered Shareholders from impeding Shanghai DAO's control over PPIO Shanghai by transferring their equity interests in PPIO Shanghai to bona fide third parties without Shanghai DAO's knowledge or approval;

(iv) under the Powers of Attorney, the Registered Shareholders unconditionally and irrevocably appoint Shanghai DAO or its designee(s) (including but not limited to directors of PPIO Shanghai and our Company and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) the power to exercise all the rights that they have as the shareholders of PPIO Shanghai. These provisions provide Shanghai DAO with the powers to determine or change the composition of the board of directors and management team of PPIO Shanghai at any time, which in turn provides Shanghai DAO with the power to control PPIO Shanghai without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Shanghai DAO on our Company and our legally-owned subsidiaries;

(v) under the Spouse Undertakings, the spouses of each of the Registered Shareholders who was married, undertake not to take any actions to prevent the performances under the Contractual Arrangements; and

(vi) we, through Shanghai DAO, will only approve and consent to PPIO Shanghai carrying out such Relevant Businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisor has also advised that:

(i) as confirmed by the parties to the Contractual Arrangements, each of Shanghai DAO and PPIO Shanghai has obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

(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 Contractual Arrangements is binding on the parties thereto and none of them would violate the provisions of the PRC Civil Code including in particular "impairing others' legitimate rights and interests with malicious collusion" or fall within any of the circumstances under which a contract may become ineffective or invalid pursuant to the PRC Civil Code or the applicable PRC laws and regulations;

(iii) none of the Contractual Arrangements violates any provisions of the articles of association of Shanghai DAO and PPIO Shanghai;

(iv) the execution and performance of the Contractual Arrangements does not require any approvals or authorizations from the PRC government authorities, except that:

  (a) the exercise of the option by Shanghai DAO of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests and/or the assets of PPIO Shanghai are subject to the approvals of and/or registrations with the PRC regulatory authorities;

  (b) any equity pledge contemplated under the Equity Pledge Agreement are subject to the registration with local administration for market regulation;

(c) the arbitration awards/interim remedies provided under the dispute resolution provisions of the Contractual Arrangements shall be subject to the recognition and enforcement of the PRC courts; and

(d) any transfer of pledged equity interest under the Equity Pledge Agreements is subject to the approval of and/or registration to PRC regulatory authorities.

(vi) the Contractual Arrangements are in compliance with the applicable laws and regulations currently in effect in all material respects, each of the Contractual Arrangements is valid, legal and binding upon each of the parties thereto under the PRC laws, except that the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interests or assets of each of Shanghai DAO and PPIO Shanghai, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of each of Shanghai DAO and PPIO Shanghai, and that competent courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdictions (being the places where the principal assets of each of Shanghai DAO and PPIO Shanghai are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity interests or property interest of each of Shanghai DAO and PPIO Shanghai. However, our PRC Legal Advisor has advised that the interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. See "Summary of the Material Terms of the Contractual Arrangements—Dispute Resolution" in this section for details.

However, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future. See "Risk Factors—Risks Relating to Our Contractual Arrangements" in this document for details.

Based on the above analysis and advice from our PRC Legal Advisor, and having considered the conclusion of consultation with relevant PRC government authorities during the consultations as mentioned above, our 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. See "Risk Factors—Risks Relating to Our Contractual Arrangements" in this document for details.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the [**REDACTED**], a waiver has been sought from and [has been granted] by the Stock Exchange. See "Connected Transactions" in this document for details.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

The FIL 2019 replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》). See "Regulatory Overview—Regulations Relating to Foreign Investment" in this document for details.

Impact of FIL 2019 on Contractual Arrangements

The FIL 2019 defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL 2019 stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Our PRC Legal Advisor confirmed that the FIL 2019 does not specify contractual arrangements as a form of foreign investment.

In that regard, if there are no other promulgated national laws, administrative regulations, or regulatory requirements prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL 2019 will not have a material impact on the PRC Contractual Arrangements, and each of the agreements under the Contractual Arrangements and the legality and validity of the Contractual Arrangements would not be affected. See "Legality of the Contractual Arrangements" in this section for details. However, there are possibilities that future laws, regulations or provisions prescribed by the relevant PRC authorities may regard contractual arrangements as a form of foreign investment, at which time the Contractual Arrangements may be deemed to be in violation of the foreign investment access requirements. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities 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" in this document for details.

In addition, there are uncertainties regarding the FIL 2019 including, among others, the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our understanding. See "Risk Factors—Risks Relating to Our Contractual Arrangements" in this document for further details. In any event, our Company will take reasonable steps in good faith to seek to comply with the FIL 2019.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Shanghai DAO, PPIO Shanghai will pay services fees to Shanghai DAO. On the premise of complying with the PRC law, to make up for the losses of previous years (if necessary) and after deducting the necessary costs, expenses and taxes required for business operation, PPIO Shanghai shall pay Shanghai DAO the total amount of the comprehensive pre-tax profit (i.e., the combined pre-tax profit of PPIO Shanghai and all its subsidiaries) without calculating the service fees under the Exclusive Business Cooperation Agreement Accordingly, Shanghai DAO has the ability, at its sole discretion, to receive all of the economic benefit of PPIO Shanghai and its subsidiaries through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Shanghai DAO has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of PPIO Shanghai as Shanghai DAO's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from PPIO Shanghai, the Registered Shareholders must notify Shanghai DAO in three business days and transfer such amount to Shanghai DAO or its designees free of charge.

As a result of these Contractual Arrangements, our Company has obtained control of PPIO Shanghai and its subsidiary through Shanghai DAO and, at our Company's sole discretion, can receive all of the economic interest returns generated by PPIO Shanghai and its subsidiary. Accordingly, PPIO Shanghai and its subsidiary's results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of PPIO Shanghai and its subsidiary into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of PPIO Shanghai and its subsidiary is disclosed in Notes 1 and 2.3 to the Accountants' Report in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

(i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential [**REDACTED**];

(iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding our status of compliance with the FIL 2019, and the latest regulatory development in relation with the FIL 2019;

(v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of PPIO Shanghai and its subsidiaries to deal with specific issues or matters arising from the Contractual Arrangements;

(vi) the company seals, financial seals, contract seals and crucial corporate certificates of PPIO Shanghai and its subsidiaries are kept by our Group's finance and legal departments, respectively. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the head of the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant superior departments;

(vii) as the Contractual Arrangements will constitute continuing connected transactions of our Group upon [**REDACTED**], our Company has applied to the Stock Exchange, and the Stock Exchange [has granted] a waiver. See "[**REDACTED**] Connected Transactions" in this document for details. Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

(viii) our Board (including the independent non-executive Directors) will ensure that PPIO Shanghai shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Shanghai DAO or any other legally held member of our Group shall be the registered owner of any other newly developed trademarks which will be material to the business of our Group; and

(ix) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

In addition, notwithstanding that Mr. Wang is our executive Director and Ms. Lyu is our non-executive Director and the spouse of Mr. Yao, our executive Director, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing our business independently after the [**REDACTED**] under the following measures:

(i) the decision-making mechanism of our Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) each of our Directors is aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefits and in the best interests of our Group;

(iii) we have appointed three independent non-executive Directors, comprising more than one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(iv) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.