

CONTRACTUAL ARRANGEMENTS

OVERVIEW

Foreign investment activities in the PRC are mainly governed by the Catalog and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (the “**Negative List**”, together with the Catalog, the “**Relevant PRC Regulations**”), promulgated and amended from time to time jointly by the MOFCOM and the NDRC. Pursuant to the Relevant PRC Regulations, foreign investments in certain industries are subject to restriction or prohibition.

Below table sets out a summary of our businesses and the corresponding business sectors which are subject to foreign investment restriction or prohibition carried out by our PRC operating company under the Relevant PRC Regulations as confirmed by our PRC Legal Advisors.

<u>Operating company of our Group</u>	<u>Description of business</u>	<u>Business sector under the Relevant PRC Regulations</u>	<u>Category under the Relevant PRC Regulations</u>
Netjoy Network	Operating a pan entertainment-oriented content platform ⁽¹⁾	Value-added telecommunications services	Restricted
	Planning and production of short video ⁽¹⁾	Radio and TV programs production and operation services	Prohibited

Note:

(1) These businesses carried out by Netjoy Network are collectively referred to herein as the “**Relevant Businesses**.”

We also have minority interest in three companies through Netjoy Network, namely Shanghai Buwei, Horgos Buwei Culture Media Co., Ltd. (霍爾果斯不維文化傳媒有限公司) (“**Horgos Buwei**”) (the wholly-owned subsidiary of Shanghai Buwei), and Yunlin (Tianjin) Culture Media Co., Ltd. (韻林(天津)文化傳媒有限公司) (“**Yunlin Culture**”, together with Shanghai Buwei and Horgos Buwei, the “**Relevant Entities**”). Our PRC Legal Advisors are of the view that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition under the Relevant PRC Regulations. The table below sets out our Group’s equity interest in the Relevant Entities and their businesses and categories:

<u>Name of entities</u>	<u>Equity interest held by our Group</u>	<u>Description of business</u>	<u>Business sector under the Relevant PRC Regulations</u>	<u>Category under the Relevant PRC Regulations</u>
Shanghai Buwei	20% equity interests held by Netjoy Network	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited
Horgos Buwei	20% equity interest held by Netjoy Network through Shanghai Buwei	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited

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Name of entities	Equity interest held by our Group	Description of business	Business sector under the Relevant PRC Regulations	Category under the Relevant PRC Regulations
Yunlin Culture	30% equity interests held by Netjoy Network	Production and distribution of internet videos for internet content marketing	Radio and TV programs production and operation services	Prohibited

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our business operations, we commenced a series of reorganization activities. As illustrated above, since foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold Netjoy Network directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over Netjoy Network through the Contractual Arrangements.

Furthermore, as illustrated above, given the fact that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition under the current PRC laws and regulations, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold the minority interest in the Relevant Entities directly 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 minority interest in the Relevant Entities through Netjoy Network under the Contractual Arrangements.

During the Reorganization, we, through Yunxiang Information, entered into the Contractual Arrangements with the Registered Shareholders and the Consolidated Affiliated Entity on March 30, 2020, pursuant to which, Yunxiang Information has acquired effective control over the financial and operational policies of Netjoy Network and has become entitled to all the economic benefits derived from its operations.

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

1. Netjoy Network and the Relevant Entities engage in the production of short videos and internet videos business, which are categorized as radio and TV programs production and operation services under the Relevant PRC Regulations as confirmed by our PRC Legal Advisors. Pursuant to the Relevant PRC Regulations and other applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in any enterprise conducting radio and TV programs production and operation services. Such prohibition was confirmed during a consultation with Shanghai Municipal Administration of Radio and Television⁽¹⁾ (上海市廣播電視局) (“SMART”) attended by the respective representatives of the Company, our PRC Legal Advisors and the Sole Sponsor’s PRC legal advisors on August 27, 2019.

Our PRC Legal Advisors are of the view that (i) SMART is the competent authority and the officer who attended the consultation was a competent person to provide the foregoing

Notes:

(1) According to the official website of Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局) (“SMACT”), SMACT is in charge of culture, tourism, radio and television and culture heritage administration work of Shanghai, and SMACT is a comprehensive administration authority which comprises SMART and Shanghai Municipal Administration of Culture Heritage (上海市文物局).

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- confirmation; and (ii) based on the above-mentioned confirmation, to maintain the business operation of Netjoy Network and to hold the minority interest in the Relevant Entities in compliance with applicable PRC laws and regulations and local governmental authorities' requirements, Netjoy Network and the minority interest in the Relevant Entities must be held by our Company through the Contractual Arrangements;
2. Netjoy Network also operates a pan entertainment-oriented content platform, namely *Huabian* Platform. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) and the Administrative Measures for Telecommunications Business Operating Licensing (電信業務經營許可管理辦法), a commercial operator of internet content provision services must obtain an ICP License from the appropriate telecommunications authorities for the provision of internet information services. Based on the above, our PRC Legal Advisors confirmed that Netjoy Network must obtain and continue to hold the ICP License in order for it to carry out its commercial internet content provision services, namely the operation of *Huabian* Platform, in compliance with applicable PRC laws and regulations. Netjoy Network currently holds an ICP License issued by Shanghai Communications Administration (上海市通信管理局) (“SCA”) as required by the relevant PRC laws and regulations.

In addition, as advised by our PRC Legal Advisors, the operation of *Huabian* Platform falls within the scope of “value-added telecommunication services” under the Telecommunications Regulations of the People’s Republic of China (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”) and the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), promulgated by the State Council on September 25, 2000 and December 11, 2001, respectively. Pursuant to the Relevant PRC Regulations and other applicable PRC laws and regulations, domestic telecommunication enterprises are prohibited from leasing, transferring or selling their licenses to foreign investors in any form, and foreign investors are not allowed to hold more than 50% of the equity interest in an enterprise conducting “value-added telecommunications services” business. Furthermore, pursuant to the FITE Regulations and the 2019 MIIT Guidance (as defined below), foreign investors shall satisfy the Qualification Requirements (as defined below) in order for a sino-foreign equity joint venture to apply for operation of internet information services.

During an interview with SCA conducted by our Company, our PRC Legal Advisors and the Sole Sponsor’s PRC legal advisors on June 5, 2020, the SCA confirmed that: (i) for a domestic company which currently holds an ICP License, a foreign investor shall not be allowed to be its shareholder in order for it to maintain its ICP License; (ii) for a Sino-foreign equity joint venture which intends to apply for an ICP License, the foreign investor of such joint venture is required to satisfy the Qualification Requirements (as defined below); and (iii) the application for the ICP License by a Sino-foreign equity joint venture set up by our Company will not be approved. During a consultation with the SCA conducted by our PRC Legal Advisors on June 10, 2020, the SCA confirmed that: (i) foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business pursuant to the relevant PRC laws and regulations; and (ii) there is no set criteria for the Qualification Requirements.

Our PRC Legal Advisors are of the view that our Company and offshore subsidiaries cannot acquire any equity interest in Netjoy Network in order for it to maintain its current ICP License, and are currently unable to establish a Sino-foreign equity joint venture to obtain the ICP License. Therefore, Netjoy Network must be held by our Company through the Contractual Arrangements.

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Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among Yunxiang Information, the Registered Shareholders and the Consolidated Affiliated Entity; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with Yunxiang Information, which is one of our subsidiaries established in the PRC, our Consolidated Affiliated Entity will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use 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 laws and regulations if our Relevant Businesses are no longer prohibited or restricted from foreign investment or the relevant government authorities grant the ICP 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.

For further details of the licensing and approval requirements applicable to the Relevant Businesses under PRC laws and regulations, see “Regulatory Environment — Regulations Related to Value-added Telecommunication Services.”

QUALIFICATION REQUIREMENTS

On December 11, 2001, the State Council promulgated the FITE Regulations, which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. On August 1, 2019, the Ministry of Industry and Information Technology (the “MIIT”) issued guidance on the application requirements for establishing foreign-invested value-added telecommunications enterprises in the PRC (the “**2019 MIIT Guidance**”). Pursuant to the FITE Regulations and the 2019 MIIT Guidance, a foreign investor who invests in value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas with good performance (the “**Qualification Requirements**”).

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, (i) the 2019 MIIT Guidance has no legal or regulatory effect under the PRC laws and regulations; and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements. Despite that, we have adopted a specific plan and begun to take concrete steps to build up our track record of overseas telecommunications business operations for the purposes of satisfying the Qualification Requirements:

- we have already incorporated a subsidiary in Hong Kong, namely Netjoy HK, for the purpose of registering and holding offshore domain names, which can be readily served as an overseas platform when we expand our business outside the PRC;
- we have registered a trademark and applied for registration of a trademark outside the PRC on August 22, 2019, with an aim to apply such trademarks for the promotion of our business in Hong Kong and overseas; and
- we plan to set up an overseas website to help overseas investors and website visitors to better understand our service and business.

During the consultation with the SCA, the local counterpart of MIIT, conducted by our PRC Legal Advisors on June 10, 2020, the SCA confirmed that there is no set criteria for the Qualification Requirements and that steps such as those taken by us above may be considered to be appropriate to prove

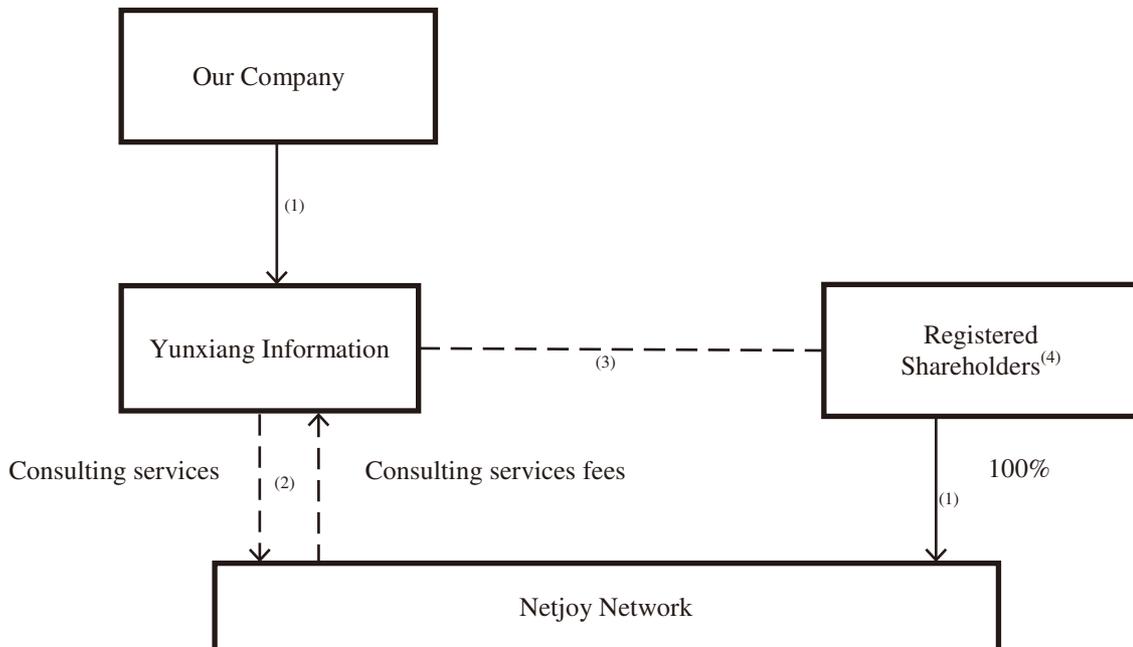
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that the Qualification Requirements are fulfilled, subject to a substantive examination by the SCA in accordance with the approval procedures under the PRC laws and regulations. Accordingly, subject to the discretion of the competent PRC governmental authorities in determining whether our Group has fulfilled the Qualification Requirements, our PRC Legal Advisors are of the view that the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirements, which may be deemed by the competent PRC governmental authorities to satisfy the Qualification Requirements as we will have experience in providing value-added telecommunications services in overseas markets, which is in accordance with the FITE Regulations and 2019 MIIT Guidance.

We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient enough to meet the Qualification Requirements.

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The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) “—>” denotes direct legal and beneficial ownership in the equity interests.
- (2) “- ->” denotes contractual relationship through the Contractual Arrangements.
- (3) “- -” denotes the control by Yunxiang Information over the Registered Shareholders and our Consolidated Affiliated Entity through (i) powers of attorney to exercise all shareholders’ rights in Netjoy Network, (ii) exclusive options to acquire all or part of the equity interests in Netjoy Network and (iii) equity pledges over the equity interests in Netjoy Network.
- (4) As of the Latest Practicable Date, Netjoy Network was held as to 100% by the following Registered Shareholders:

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Shareholder(s)	Attributable registered capital	Approximate percentage of shareholding
	(RMB)	
Mr. Wang	10,156,872	18.97%
Mr. Xu	8,581,778	16.03%
Kijiji	6,956,880	13.00%
Mr. Dai	5,992,656	11.20%
Wutong Holding	5,368,203	10.03%
Guzon Asset	5,143,560	9.61%
Jingheng Jianyong	3,612,000	6.75%
Mr. Qin	2,818,158	5.26%
Mr. Ru	2,140,096	4.00%
Aofa Management	1,372,000	2.56%
Qipu Xinzhe	700,000	1.31%
Wideview Asset	686,000	1.28%
Total	53,528,203	100.00%

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

Exclusive Business Cooperation Agreement

Yunxiang Information and Netjoy Network entered into an exclusive business cooperation agreement on March 30, 2020 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which, in exchange for a service fee, Yunxiang Information agreed to provide Netjoy Network with technical support, consultation and other services, including but not limited to:

- the use of any relevant intellectual property rights and software legally owned by the Yunxiang Information;
- development, maintenance and updating of software in respect of the Netjoy Network’s business;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- providing technical support and staff training services to relevant employees of Netjoy Network;
- providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the PRC laws);
- providing corporate management consultation;
- providing corporate strategy and development consultation;
- providing financial consultation and management services;
- providing business operation related information consultation;
- providing marketing and promotional services;
- providing customer order management and customer services;
- transfer, leasing and disposal of equipment or properties; and
- other relevant services requested by Netjoy Network from time to time to the extent permitted under the PRC laws.

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The service fee under the Exclusive Business Cooperation Agreement shall consist of 100% of the total consolidated profits of Netjoy Network under IFRSs, after offset by any accumulated deficit in respect of the preceding financial year(s) (if any) and deducting relevant operating costs, expenses, taxes, statutory surplus reserves legally to be withdrawn and other statutory contributions. Notwithstanding the foregoing, Yunxiang Information may adjust the scope and amount of services fees according to PRC tax law and tax practices and with reference to the need of the working capital of Netjoy Network, and Netjoy Network will accept such adjustments.

Netjoy Network shall entrust the above services to Yunxiang Information on an exclusive basis, which means that not only does Netjoy Network agree to accept the above services provided by Yunxiang Information, it also agrees that, during the term of the Exclusive Business Cooperation Agreement, without prior written consent of Yunxiang Information, Netjoy Network shall not (1) enter into with any third party any agreement that is identical or similar to the Exclusive Business Cooperation Agreement; (2) 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 (3) establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement, so as to wholly or partially invalidate the rights and obligations of Yunxiang Information to provide services to Netjoy Network in accordance with the terms of the Exclusive Business Cooperation Agreement. Yunxiang Information may appoint other parties, who may enter into certain agreements with Netjoy Network, to provide Netjoy Network with the consultations and/or services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that the Yunxiang Information shall have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Netjoy Network and its subsidiaries (if any) during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall be effective upon the execution, and shall remain irrevocable ever after, until (i) both parties to the Exclusive Business Cooperation Agreement terminate the Exclusive Business Cooperation Agreement in writing; (ii) all the equity interests of Netjoy Network have been legally and effectively transferred to Yunxiang Information and/or its designee(s); (iii) once Yunxiang Information is allowed to directly hold the equity interests of Netjoy Network in accordance with applicable PRC laws and Yunxiang Information and/or its subsidiaries or branches are enable to legally engage in the businesses of Netjoy Network, at the time when Yunxiang Information is duly registered as the sole shareholder of Netjoy Network; (iv) the event of the bankruptcy, liquidation, termination, or dissolution of Netjoy Network occurs during the term of the Exclusive Business Cooperation Agreement, at the date of such bankruptcy, liquidation, termination, or dissolution occurs; or (v) Netjoy Network materially violates the provision of the Exclusive Business Cooperation Agreement. Notwithstanding the above, Yunxiang Information has the right to terminate the Exclusive Business Cooperation Agreement at any time by issuing a 30 days' notice in writing, and Yunxiang Information shall not be liable for any defaults for unilaterally terminating the Exclusive Business Cooperation Agreement. Netjoy Network, however, shall have no right to unilaterally terminate the Exclusive Business Cooperation Agreement.

Exclusive Option Agreement

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into an exclusive option agreement on March 30, 2020 (the “**Exclusive Option Agreement**”), pursuant to which Yunxiang Information (or its designee(s)) was granted an irrevocable and exclusive right (the “**Exclusive Option Rights**”) to purchase from the Registered Shareholders all or any part of their equity interests in Netjoy Network, at any time and from time to time, at the amount of the registered capital of Netjoy Network

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multiply by the proportion of the purchased equity interests in the total equity interests of Netjoy Network or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. Upon receiving all the duly executed share transfer documents and approvals and after deducting necessary tax expenses, Yunxiang Information or its designee(s) shall pay the purchase price within 10 business days to the designated bank accounts of the Registered Shareholders. Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price within 10 business days after they have received relevant remedies from Yunxiang Information or its designee(s). Upon receiving the notice issued by Yunxiang Information (or its designee(s)) to exercise their Exclusive Option Rights (the “**Notice**”), the Registered Shareholders and Netjoy Network, within 30 days, shall execute all other contracts, agreements or documents with relevant parties, and shall take all necessary actions to engage in, complete, or obtain the approval, filing, registration procedures and consent with regulatory authorities without any delay, so that the relevant equity interests in Netjoy Network as set out in the Notice, without any security interest attached to them, can be effectively transferred to and registered under the name of Yunxiang Information (or its designee(s)).

Netjoy Network and the Registered Shareholders (as shareholders of Netjoy Network within the authority of shareholders), separately and jointly, irrevocably covenant and warrant, among other things, that:

- without the prior written consent of Yunxiang Information, Netjoy Network shall not assist, allow the Registered Shareholders, or procure the management of Netjoy Network to sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over the legitimate interests or beneficial interests of any assets, business, or incomes of Netjoy Network at any time since the date of the Exclusive Option Agreement, except for the encumbrance set on the equity interests of Netjoy Network in accordance with the Equity Pledge Agreement and the Powers of Attorney;
- they shall not supplement, change, or amend the business scope and the articles of association of Netjoy Network, or increase or reduce the registered capital of Netjoy Network, or otherwise change the structure of the registered capital of Netjoy Network, without prior written consent of Yunxiang Information;
- they shall maintain the good standing of Netjoy Network, operate its business and handle its affairs prudently and effectively, and obtain and maintain all necessary government permits and licenses, in accordance with good financial and commercial standards and practices, and shall not cause the liquidation, close of business, termination or dissolution of Netjoy Network;
- without the prior written consent of Yunxiang Information, they shall not, and shall procure the subsidiaries of Netjoy Network not, at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any material assets of Netjoy Network or legal or beneficial interest in the business or revenues of Netjoy Network of more than RMB1,000,000, or allow the encumbrance thereon of any security interest;
- Netjoy Network shall not or shall not be allowed to incur, inherit, guarantee or assume any debt, unless (i) the debts incurred in the normal or ordinary course of business other than payables incurred by a loan; or (ii) the debts have been disclosed to and consented in writing by Yunxiang Information;
- they shall operate Netjoy Network in the ordinary course of business so as to maintain Netjoy Network’s asset value, and shall not carry out any actions or omissions which may affect the operational situation or asset value of Netjoy Network. The board of directors of Yunxiang Information shall be empowered to oversee Netjoy Network’s assets and to evaluate whether

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Yunxiang Information have control over Netjoy Network's assets. In the event that the board of directors of Yunxiang Information deems that its control over Netjoy Network's assets or the asset value of Netjoy Network has been affected by the operating activities of Netjoy Network, the board of directors of Yunxiang Information shall engage legal advisors or other professionals to handle such matters.

- except for contracts entered into in the normal course of business, they shall not cause Netjoy Network to enter into any material contracts with the amount exceeding RMB1,000,000 without prior written consent of Yunxiang Information, nor shall cause Netjoy Network to enter into any other contracts in conflict with any existing material contracts;
- without the prior written consent of Yunxiang Information, they shall not terminate or procure the management of Netjoy Network to terminate any of the Contractual Arrangements executed by Netjoy Network, or sign any agreements in conflict with the existing Contractual Arrangements;
- they shall not provide any loan or credit to any person, or provide any guarantee or warranty to any third party debt without prior written consent of Yunxiang Information;
- they shall, at the request of Yunxiang Information, provide, among others, all information on the labor, operation, compliance and financial conditions of Netjoy Network;
- they shall, if requested by Yunxiang Information, purchase and maintain insurance over the assets and business of Netjoy Network from an insurance carrier acceptable to Yunxiang Information, at an amount and type of coverage typical for companies carrying on similar businesses;
- without the prior written consent of Yunxiang Information, they shall not procure or consent to the spin-off of Netjoy Network, or the merger or the association with, or the investment into or acquire any entity by Netjoy Network;
- they shall immediately notify Yunxiang Information of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the assets, business and revenues of Netjoy Network, and take all necessary measures in accordance with the reasonable request of Yunxiang Information;
- they shall, for the purpose of safeguarding Netjoy Network of its ownership over its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;
- they shall not, without prior written consent of Yunxiang Information, in any manner, distribute dividends, distributable interests, and/or any other income arising from any assets or equity interests held by the Registered Shareholders, provided that upon the request of the Yunxiang Information, the Netjoy Network shall immediately distribute all distributable profits to the Registered Shareholders;
- at the request of the Yunxiang Information, they shall appoint, resign or replace any persons designated by Yunxiang Information as the directors, supervisors and/or senior management of Netjoy Network without any delay and shall complete all resolution and filing procedures. The Registered Shareholders cease to have the rights to nominate, resign, appointment or replace any directors of Netjoy Network;
- without the written consent of Yunxiang Information, they shall not engage in any business in competition with the Yunxiang Information or its affiliates;
- unless otherwise mandatorily required by the PRC laws, Netjoy Network shall not be dissolved or liquidated without prior written consent by the Yunxiang Information. In the event of a

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dissolution or liquidation required mandatorily by the PRC laws, Yunxiang Information may, representing the Registered Shareholders, exercise all shareholders' rights of Netjoy Network. After the completion of the above dissolution or liquidation, the Registered Shareholders shall give the proceeds they received from the liquidation of Netjoy Network in accordance with laws, after deducting the amount of contributions actually paid, as a gift to Yunxiang Information to the extent permitted under the PRC laws;

- the Registered Shareholders shall transfer all equity interests of Netjoy Network to Yunxiang Information or its designee(s) at the request of Yunxiang Information to exercise Exclusive Option Rights, once the Relevant Businesses of Netjoy Network are permitted to be held or wholly owned by foreign investors under the PRC laws and the relevant government authorities in the PRC begin to approve such businesses;
- acknowledge, in the event that Netjoy Network and/or any of the Registered Shareholders fails to fulfill his/her/its tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by Yunxiang Information, Yunxiang Information has the right to request Netjoy Network and/or the Registered Shareholders to fulfill such tax obligation; and
- they shall procure the subsidiaries of Netjoy Network to separately and jointly, irrevocably covenant and warrant the same of those covenanted and warranted by Netjoy Network when applicable.

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

- without prior written consent of Yunxiang Information, at any time from the date of this Exclusive Option Agreement, not sell, transfer, gift, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interests, assets, business, or incomes of Netjoy Network held by them, except the pledge set on the equity interests of Netjoy Network in accordance with the Equity Pledge Agreement and the Powers of Attorney;
- without prior written consent of Yunxiang Information, not procure the meetings of the shareholders or the board to approve to sell, transfer, gift, pledge, or otherwise dispose of the legitimate or beneficial interest of any equity interests, assets, business, or incomes of Netjoy Network or to allow any encumbrance (except the encumbrance made to Yunxiang Information or its designee(s) in accordance with the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney) to be placed on it;
- not conduct operating or any other activities that may adversely affected the reputation of Netjoy Network;
- take all measures to ensure the legality and effectiveness of all operating licenses of Netjoy Network and renew such licenses on time;
- not execute any documents or make relevant commitments in conflict with any ongoing legal documents executed by Netjoy Network. In the event of occurrence of such conflict, the Registered Shareholders shall take measures as soon as possible to eliminate such conflict with the prior consent of Yunxiang Information. Yunxiang Information may exercise the Exclusive Option Rights if the Registered Shareholders refuse to take such measures;
- without the written consent of Yunxiang Information, not consent to or not procure the meetings of the shareholders or the board of Netjoy Network to the spin-off of or the merger or the association with Netjoy Network, or the investment into or acquire any entity by Netjoy Network;

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- immediately notify Yunxiang Information of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to equity interest of Netjoy Network, and take all necessary measures in accordance with the reasonable request of Yunxiang Information;
- cause the meetings of the shareholders or the board of Netjoy Network to vote on the approval of the transfer of equity interests in and any other action requested by Netjoy Network;
- for the purpose of safeguarding the ownership of the Registered Shareholders over the equity interests or assets of the Netjoy Network, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;
- immediately appoint, resign or replace personnel designated by Yunxiang Information as directors, supervisors and senior management of Netjoy Network upon the request of Yunxiang Information, and shall complete all resolution and filing procedures. The Registered Shareholders cease to have the rights to nominate, resign, appointment or replace any directors of Netjoy Network;
- relinquish the pre-emptive right (if any) they are entitled to in relation to the transfer of equity interest by any other shareholders to Netjoy Network and give consent to the execution by each other shareholder of Netjoy Network with Yunxiang Information and Netjoy Network the exclusive option agreement, equity pledge agreement and powers of attorney similar to the Exclusive Option Agreement, Equity Pledge Agreement and Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders (if any);
- without prior written consent of Yunxiang Information, not (i) distribute dividends or profits in other manner, arising from any equity interest held by the Registered Shareholders, (ii) propose any related matters to be resolved on shareholders' meeting; or (iii) vote in favor of any shareholder resolution on shareholders' meeting. Unless otherwise upon the decision of Yunxiang Information, the Registered Shareholders shall gift all profits, dividends, distributes, or liquidation incomes acquired from Netjoy Network to Yunxiang Information or its designee(s) to the extent permitted under the PRC laws; and
- strictly comply with the provision of the Exclusive Option Agreement and any other agreements entered into among Yunxiang Information, the Registered Shareholders and Netjoy Network, jointly or separately, guarantee the performance of the obligation under the above agreements, and not carry out any actions or omissions which may affect the effectiveness and enforceability of the above agreements. If the Registered Shareholders possess any remaining rights to the equity interests under the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, they shall not exercise such rights unless at the written instruction of Yunxiang Information.

The Exclusive Option Agreement shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in Netjoy Network have been transferred to Yunxiang Information or its designee(s).

Should Netjoy Network or the Registered Shareholders materially violate any provisions of the Exclusive Option Agreement, Yunxiang Information shall have the right to terminate the Exclusive Option Agreement and require Netjoy Network or the Registered Shareholders to compensate for the damages.

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Equity Pledge Agreement

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into an equity pledge agreement on March 30, 2020 (the “**Equity Pledge Agreement**”), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Netjoy Network as the first sequence to guarantee the payment of the secured debts of, the performance of the obligations of, and the representations, undertakings, and warrants provided by, Netjoy Network and the Registered Shareholders under the Contractual Arrangements.

The pledge under the Equity Pledge Agreement shall take effect upon the completion of registration with the relevant administration for industry and commerce, which was completed as of May 27, 2020, and shall remain valid until the earlier of (1) after all the obligations of the Registered Shareholders and Netjoy Network under the Contractual Arrangements have been fully performed and all secured debts of the Registered Shareholders and Netjoy Network under the Contractual Arrangements have been fully paid, or (2) all the equity interests of Netjoy Network have been transferred to Yunxiang Information and/or its designee(s) in accordance with the Executive Option Agreement, to the extent permitted under the PRC laws, and Yunxiang Information and its designee(s) are able to engage in the business of Netjoy Network.

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, Yunxiang Information shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, 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. In addition, should any event of material default by Netjoy Network or the Registered Shareholders occur, Yunxiang Information shall have the right to terminate the Equity Pledge Agreement and/or require Netjoy Network or the Registered Shareholders to compensate for the damages.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

Powers of Attorney

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into a powers of attorney on March 30, 2020 (the “**Powers of Attorney**”), pursuant to which the Registered Shareholders unconditionally and irrevocably appoint Yunxiang Information or its designee(s) (including but not limited to directors of Yunxiang Information 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) as their attorney-in-fact, to exercise on their behalf, pursuant to the instructions of Yunxiang Information, all the rights that they have as the shareholders of Netjoy Network as set out in the then-valid articles of association of Netjoy Network, including but not limited to:

- proposing to convene and attend the general meeting of shareholders;
- filing documents with the relevant company registry;
- exercising all shareholder’s rights, including but not limited to the distribution rights, sale, transfer, pledge or disposal of any or all of the equity interests in Netjoy Network, and exercising all shareholder’s voting rights on all matters that need to be discussed and resolved in the meetings of shareholders of Netjoy Network in accordance with laws and the constitutional documents of Netjoy Network;

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- executing any meeting minutes and resolutions and ratifying the amendment of articles of association of Netjoy Network in the name and on behalf of the Registered Shareholders;
- designating, appointing, or resigning the legal representative, directors, supervisors, general manager, and other senior management of Netjoy Network as the authorized representative of the Registered Shareholders, and filing a lawsuit or other legal proceedings against the above persons if they take actions harmful to the benefits of Netjoy Network or the Registered Shareholders. Wutong Holding's right to nominate one director of the board of Netjoy Network granted by previous investment agreements is terminated hereby;
- resolving on the disposals of the assets (if any) of Netjoy Network;
- resolving on the dissolution and liquidation of Netjoy Network, and forming a liquidation group to legally exercise the rights of powers of the liquidation group during the liquidation period in accordance with the law, including but not limited to resolving on disposals of the assets (if any) of Netjoy Network;
- deciding to transfer or otherwise dispose of the equity interests of Netjoy Network held by the Registered Shareholders; and
- other shareholders' rights stipulated by applicable PRC laws and regulations (including the amendments, modifications, supplements, and re-enactments, whether entering into force before or after the execution of the Powers of Attorney) and the articles of association (as amended) of Netjoy Network.

The Registered Shareholders undertake that they will not revoke the appointment of Yunxiang Information and its designee(s) as their attorney-in-fact, and there are no potential conflicts of interests in relation to such appointment.

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 Netjoy Network.

Spouse Undertakings

The spouse of each of the individual Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) the equity interests (together with any other interests therein) of Netjoy Network held and to be held by each of the Registered Shareholders do not fall within the scope of communal properties, (ii) she unconditionally and irrevocably waives any rights or interests that may be granted to her under the applicable laws of any jurisdictions in respect of equity interests in Netjoy Network, and she undertakes not to claim such rights or interests, (iii) no authorization or consent of her 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; (iv) she will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements; (v) she will not, at any time, take any actions in conflict with the Spouse Undertakings and the Contractual Arrangements; and (vi) she will not take any actions to prevent the performances under the Contractual Arrangements in any circumstances, including but not limited to divorce of him or her with spouse.

The spouse of each of the Registered Shareholders, has also consented to the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement, the Powers of Attorney and Confirmation from the Registered Shareholders.

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Confirmation from the Registered Shareholders

Each of the individual Registered Shareholders undertakes to Yunxiang Information that, in the event of death, incapacity, divorce, or other circumstances regarding the Registered Shareholders which may affect the exercise of his direct or indirect equity interests (together with any other interests therein) in Netjoy Network, 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 Netjoy Network directly or indirectly shall not prejudice or hinder the enforcement of 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, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commissions for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration rulings shall be final and binding on all parties.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests or assets of Netjoy Network, including restriction of the conduct of business, restriction or prohibition of transfer of equity interests or asset, or order of the winding up of Netjoy Network; and (ii) subject to the permission of PRC laws and regulations, the competent courts of the establishment place of Netjoy Network (i.e. Shanghai, 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 Netjoy Network are located) can grant or enforce the arbitral awards and the interim remedies as property preservation or enforcement measures.

However, our PRC Legal Advisors have 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 Netjoy Network 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 Netjoy Network 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 our Consolidated Affiliated Entity and conduct our business could be materially and adversely affected. For further details, see "Risk Factors — Risks Relating to Our Contractual Arrangements."

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, Yunxiang Information can enforce its rights against the successors.

Conflicts of Interests

The Registered Shareholders have undertaken in the Powers of Attorney that, during the period that the Contractual Arrangements remain effective,

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- (a) they shall not execute any documents with or make any undertaking to any third party that may have conflicts of interests with any agreements entered into with Yunxiang Information, (b) they shall not commit or refrain from committing any act that may lead to any conflict of interests between the Registered Shareholders and Yunxiang Information (including its shareholders) and (c) in the event of the occurrence of a conflict of interests (where Yunxiang Information has the sole absolute discretion to determine whether such conflict arises), they shall take appropriate measures upon the instruction of Yunxiang Information and its designee(s) to eliminate such conflicts, failing which Yunxiang Information has the right to exercise the exclusive option rights under the Exclusive Option Agreement; and
- unless otherwise agreed by Yunxiang Information in writing, they will not directly or indirectly own or use information obtained from Yunxiang Information and Netjoy Network, and participate, engage in, involve in, own, hold any interest in or obtain benefits from the major business of or any business which is or may potentially be in competition with the businesses of Yunxiang Information, Netjoy Network or any of their affiliated companies.

The Powers of Attorney also provide that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of Yunxiang Information or our Company, the powers of attorney is granted in favor of other unrelated officers or directors of our Company.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or our wholly-owned PRC subsidiary, Yunxiang Information, is obligated to share the losses of Netjoy Network. Further, Netjoy Network 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 Yunxiang Information is not expressly required to share the losses of Netjoy Network or provide financial support to Netjoy Network. Yunxiang Information may, however, provide or assist our Consolidated Affiliated Entity in obtaining financial support at its sole discretion. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through our Consolidated Affiliated Entity which holds the requisite PRC licenses and approvals, and that results of operations and assets and liabilities of our Consolidated Affiliated Entity 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 our Consolidated Affiliated Entity suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of liquidation, after deducting the amount of contributions actually paid, the Registered Shareholders shall give the proceeds they received from the liquidation of Netjoy Network in accordance with laws as a gift to Yunxiang Information to the extent permitted under PRC law.

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. For further details, see "Risk Factors — Risks Relating to Our Contractual Arrangements."

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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 our Consolidated Affiliated Entity 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 Netjoy Network, 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, Netjoy Network 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 Netjoy Network will flow to Yunxiang Information whilst ensuring compliance with applicable PRC laws and regulations and allowing Netjoy Network to continue to maintain and renew the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such value-added telecommunication service and radio and TV programs production and operation 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 Yunxiang Information, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and Netjoy Network, 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 ICP License and Radio and TV Programs Production and Operation License granted to Netjoy Network, would allow a proper discharge of the respective responsibilities of Yunxiang Information and Netjoy Network 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 Yunxiang Information irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Netjoy Network, at any time and from time to time, for the amount of the registered capital of Netjoy Network multiply by the proportion of the purchased equity interests in the total equity interests of Netjoy Network or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. These provisions enable Yunxiang Information or its designee(s) to act as the shareholder(s) of its choice to take over the equity interests in Netjoy Network at any time and thereby ensuring that our Group will continue to maintain our interest in Netjoy Network 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 Netjoy Network to Yunxiang Information, and all such pledges have been properly registered with the relevant administration. The registered pledges effectively prevent the Registered Shareholders from impeding Yunxiang Information's control over Netjoy Network by transferring their equity interests in Netjoy Network to bona fide third parties without Yunxiang Information's knowledge or approval;
- (iv) under the Powers of Attorney, the Registered Shareholders unconditionally and irrevocably appoint Yunxiang Information or its designee(s) (including but not limited to directors of Yunxiang Information 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

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power to exercise all the rights that they have as the shareholders of Netjoy Network. These provisions provide Yunxiang Information with the powers to determine or change the composition of the board of directors and management team of Netjoy Network at any time, which in turn provides Yunxiang Information with the power to control Netjoy Network without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Netjoy Network on our Company and our legally-owned subsidiaries;

- (v) under the Spouse Undertakings, the spouses of each of our individual Registered Shareholders who was married, undertake not to take any actions to prevent the performances under the Contractual Arrangements; and
- (vi) we, through Yunxiang Information, will only approve and consent to Netjoy Network 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 foregoing, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations, and that:

- (i) each of Yunxiang Information and Netjoy Network is an independent legal entity that is duly incorporated and validly existing, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of the Registered Shareholders is a natural person with full civil and legal capacity or a legally established and validly subsisting entity;
- (ii) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;
- (iii) all parties to each of 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 the agreements under the Contractual Arrangements would be deemed as “concealment of illegal intentions with a lawful form” and void under the Contract Law of the People’s Republic of China (《中華人民共和國合同法》) (the “**PRC Contract Law**”);
- (iv) none of the Contractual Arrangements violates any provisions of the articles of association of Yunxiang Information or Netjoy Network;
- (v) each of the Contractual Arrangements is enforceable under the PRC laws and regulations, and the entry into and the performance of each of them are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
 - (a) the exercise of the option by Yunxiang Information of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Netjoy Network 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 bureau for industry and commerce;
 - (c) the arbitration awards/interim remedies provided under the dispute resolution provisions of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and

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- (vi) the Contractual Arrangements as a whole and each of the Contractual Arrangements are valid, legal and binding under the PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interests or assets of Netjoy Network, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Netjoy Network, 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 Netjoy Network or Netjoy Network 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 Netjoy Network. However, our PRC Legal Advisors have 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. For further details, please see “— Summary of the Material Terms of the Contractual Arrangements — Dispute Resolution.”

During the consultations and interview with the SMART conducted on August 27, 2019, the application for the Radio and TV Programs Production and Operation License shall be examined pursuant to Administrative Regulations on Radio and Television (《廣播電視管理條例》) and the Administrative Provisions on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》).

Furthermore, pursuant to the applicable PRC laws, application for ICP License shall be examined pursuant to Telecommunications Regulations, FITE Regulations, and Administrative Measures for the Licensing of Telecommunications Business (《電信業務經營許可管理辦法》).

As confirmed by our PRC Legal Advisors, such laws and regulations do not prohibit the adoption of the Contractual Arrangements. Our PRC Legal Advisors have further advised us that the adoption of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations or is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisors, 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 and regulations, and expect for the relevant arbitration clauses as described in “— Summary of the Material Terms of the Contractual Arrangements — Dispute Resolution,” each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. For further details, see “Risk Factors — Risks Relating to Our Contractual Arrangements.”

We are aware of a Supreme People’s Court ruling (the “**Supreme People’s Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravenes the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for the Registered Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the

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mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisors are of the view that the relevant terms of the Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisors are of the view that the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the Contractual Arrangements were not entered into for illegitimate purposes. The purposes of the Contractual Arrangements are (a) to enable Netjoy Network to transfer its economic benefits to Yunxiang Information as service fees for engaging Yunxiang Information as their exclusive service provider and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of Yunxiang Information. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Hong Kong Stock Exchange while obtaining the economic benefits of our Consolidated Affiliated Entity, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, our PRC Legal Advisors are of the view that the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

For further details of the compliance history of our Group, see “Business — Legal Proceedings and Compliance.”

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions” in this prospectus.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020 (the “**FIL 2019**”). The FIL 2019 is intended to replace the current foreign investment legal foundation in the PRC consisting of three laws: 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》). For details of the FIL 2019, see “Regulatory Environment — Regulations Related to Foreign Investment — Regulation related to Foreign-Invested Enterprises.”

The FIL 2019 stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list,” which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list,” management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL 2019 does not contain or quote the stipulation of the “negative list.”

The definition of “foreign investors” in the FIL 2019 includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of the PRC in accordance with PRC laws but controlled by foreign natural persons or entities.

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Moreover, the FIL 2019 does not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means.”

Impact of FIL 2019 on Contractual Arrangements

Our PRC Legal Advisors are of the view that since contractual arrangements are not specified as “foreign investments” under the FIL 2019 and if there is no applicable law or regulation that explains “other means” of foreign investment under the FIL 2019, or if “other means” of foreign investment are specified under applicable laws or regulations not to include contractual arrangements, it is unlikely that our Contractual Arrangements will be deemed as “foreign investments” under the FIL 2019 and therefore (i) the Contractual Arrangements shall neither be subject to the “negative list” nor be regulated by relevant authorities in accordance with the requirements of the “negative list;” and (ii) the FIL 2019 would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

If the operation of our Relevant Businesses is not on the “negative list” and we can legally operate such businesses under PRC laws, Yunxiang Information will exercise the option under the Exclusive Option Agreement to acquire the equity interests of Netjoy Network and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the operation of our Relevant Businesses is on the “negative list,” unless applicable laws or regulations define contractual arrangements are one of the “other means” of foreign investment, the probability that Contractual Arrangements will be deemed as “foreign investment” under the FIL 2019 and be regulated by relevant authorities in accordance with the requirements of the “negative list,” which could result in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list,” is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangements and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

However, 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” for further details. In any event, our Company will take reasonable steps in good faith to seek to comply with the FIL 2019.

Sustainability of our business

If any ancillary regulations or implementation rules of the FIL 2019 subsequently issued, and the “catalog of special administrative measures” as finally issued, mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL 2019 or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such laws, regulations and rules. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Listing, we fail to comply with the FIL 2019 or such ancillary regulations or implementation rules, we may be required to dispose of our business operated through our Consolidated

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Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with such laws, regulations and rules.

In the worst case scenario, if the operation of the Relevant Businesses is on the “negative list” and any new laws, regulations and rules subsequently promulgated is refined or deviates from the FIL 2019, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entity and the financial results of the Consolidated Affiliated Entity may no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition. In such case, the Stock Exchange may also consider our Company to be no longer suitable for Listing on the Stock Exchange and delist our Shares. See “Risk Factors — Risks Relating to Our Contractual Arrangements.”

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL 2019 is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL 2019 that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL 2019 or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisors), as well as its material impact on our business operation and financial position.

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 Yunxiang Information, Netjoy Network will pay services fees to the Yunxiang Information. The services fees, subject to the Yunxiang Information’s adjustment, are equal to the entirety of the total consolidated profit of Netjoy Network (net of accumulated deficit of the Consolidated Affiliated Entity in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Yunxiang Information may adjust the services scopes and fees at its discretion in accordance with the PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entity. Yunxiang Information also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entity. Accordingly, the Yunxiang Information has the ability, at its sole discretion, to extract all of the economic benefit of Netjoy Network through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Yunxiang Information has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entity as Yunxiang Information’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 our Consolidated Affiliated Entity, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

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As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entity through Yunxiang Information and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entity. Accordingly, our Consolidated Affiliated Entity'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 our Consolidated Affiliated Entity into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entity is disclosed in Note 2.1 to the Accountants' Report in Appendix I to this prospectus.

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 investors;
- (iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our plan and progress in acquiring the relevant experience to meet the Qualification Requirement, (b) our status of compliance with the FIL 2019, and (c) 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 Yunxiang Information and our Consolidated Affiliated Entity 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 Netjoy Network 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) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver, details of which is set out in "Connected Transactions." Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

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- (viii) our Board (including the independent non-executive Directors) will ensure that Netjoy Network 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, Yunxiang Information 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 our executive Directors, namely Mr. Wang and Mr. Xu, and our non-executive Directors, namely Mr. Qin and Mr. Dai, are also the Registered Shareholders, 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 Listing 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 fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;
- (iii) we have appointed three independent non-executive Directors, comprising 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.