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BACKGROUND AND PRC LAWS AND REGULATIONS RESTRICTING FOREIGN OWNERSHIP

Principal Business

We offer customer contact solutions deployed fully in the cloud (the “**Principal Business**”). We are considered to be engaged in the provision of Internet resource collaboration services and contact center services, which are subcategories of value-added telecommunication services. Therefore, as a cloud-based contact solution provider, we are required to hold the VAT License, covering Internet resource collaboration services and contact center services. We conducted our Principal Business through our Consolidated Affiliated Entities in the PRC as the PRC laws, or their implementation by relevant government authorities, generally prohibit foreign ownership in the Principal Business we operate. Currently, the PRC laws restrict or prohibit foreign ownership of value-added telecommunications services providers.

As a result of the restrictions imposed by the PRC laws, we are unable to own or hold any direct equity interest in our Consolidated Affiliated Entities. Accordingly, the term ‘ownership’ or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws.

Pursuant to the Telecommunication Regulation of the People’s Republic of China (中華人民共和國電信條例), the Measures for the Administration of Telecommunications Business Licensing (電信業務經營許可管理辦法), and the Classification Catalogue of Telecommunications Services (2015 Version) (電信業務分類目錄(2015年)): enterprises engaged in Internet resource collaboration services and contact center services shall obtain a VAT License covering the above-mentioned services.

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021)) (the “**Negative List**”), within the scope of the telecommunications services that China has promised to open up in its accession to the WTO (“**China’s WTO Commitments**”), value-added telecommunications services (excluding e-commerce, domestic multi-party communications services, store-and-forward services and contact center services) fall under the “restricted” category of the Negative List and foreign investors are restricted from holding more than 50% of the equity interest of enterprises operating such value-added telecommunications services. Any value-added telecommunication services that are not included in the scope of China’s WTO Commitments, fall under “prohibited” category of the Negative List and are prohibited from foreign investment, except for certain allowed investment by certain qualified telecommunication service enterprise incorporated in Hong Kong or Macau. According to the Negative List, the contact center services fall under the “permitted” category.

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During a consultation with a director of the Information and Communication Development Department (信息通信發展司) of the MIIT in March 2021, the Company was advised that (i) the carrying out of our Principal Business (i.e. customer contact solutions deployed fully in public cloud) requires the VAT License, covering Internet resource collaboration services and contact center services; (ii) foreign investors are prohibited from holding equity interests in any enterprise engaging in Internet resource collaboration services; and (iii) in practice, no foreign-invested enterprises have obtained VAT License covering both Internet resource collaboration services and contact center services. As advised by our PRC Legal Adviser, MIIT is the competent authority to provide the relevant confirmations and the director consulted is of appropriate ranking to provide the relevant confirmations.

Based on consultation with the MIIT, and the fact that the Internet resource collaboration service is not among the scope of China’s WTO Commitment and not included in the Negative List, our PRC Legal Adviser is of the view that: (i) the Internet resource collaboration service fall under the “prohibited” category of the Negative List; and (ii) our Principal Business, which involves the provision of Internet resource collaboration service, is prohibited from foreign investment.

See “Regulations – Regulations Relating to Foreign Investment – Foreign investment in the value-added telecommunications industry” for details of limitations on foreign ownership in PRC companies conducting value-added telecommunication services.

While contact center services are not strictly subject to foreign investment restrictions, it is necessary for us to operate our Principal Business under the Contractual Arrangements, and we are of the view that the Contractual Arrangements are narrowly tailored based on the reasons below:

- As confirmed by our PRC Legal Adviser, we must hold the VAT License, covering Internet resource collaboration services and contact center services, so as to operate our Principal Business in a compliant manner;
- Our Principal Business is cloud-centric and is considered to fall within the scope of Internet resource collaboration services and contact center services. Our cloud-based solutions primarily consist of three offerings, being (i) Intelligent Contact Center Solutions; (ii) Agile Agent Solutions; and (iii) ContactBot Solutions. Our PRC Legal Adviser is of the view that, the provision of each of the three solutions built on cloud is considered to fall under the scope of Internet resources collaboration services. As a matter of fact, our Principal Business is in substance the provision of cloud-based customer contact solutions. We currently hold a VAT License covering both the Internet resource collaboration services and contact center services, which are operated as one segment, and our contact center services can only be delivered through the provision of Internet collaboration services. It is technically and commercially impossible for us to provide contact center services segregated from our cloud-based customer contact solutions. Our contact center services are digitalized through cloud-based solutions and customer interactions

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engaged are recorded and stored in the cloud. In addition, our contact center services rely on practical applications embedded in our cloud-based solutions. As demonstrated above, our customer contact center solutions are fully deployed on cloud. Utilizing our cloud-native contact center solutions as the basis, our clients can establish their own customer contact functions. Our customer contact center solutions are deeply rooted in cloud-native, secure and reliable platforms, which is also the cornerstone of our customer contact center solutions. Therefore, the separation of contact center services from our cloud-based customer contact solutions (which is considered to fall within the scope of Internet resource collaboration services) (if any) would materially and adversely affect the quality of our services provided and fundamentally undermine our business; and

- Based on the consultation with the MIIT, foreign investors are prohibited from holding equity interests in any enterprise engaging in Internet resource collaboration services.

On the basis of the above, our PRC Legal Adviser agrees that, we need to operate our Principal Business (which are considered to fall within the scope of Internet resource collaboration services and contact center services), through Contractual Arrangements.

The Company undertakes that, only the Principal Business would be conducted through our Contractual Arrangement. As other services and product sales (including the sales of telecommunication equipment and use of phone number) are not subject to foreign investment restrictions, such businesses would not be conducted through the Consolidated Affiliated Entities. Any new contracts (whether prior to or after the [REDACTED]) in connection with the sales of telecommunication equipment (being one-off transactions) would be entered into by WFOE. Contracts in connection with the use of phone numbers are all entered into annually, and will expire within the next 12 months. As of the Latest Practicable Date, there were 13 contracts with such customers for the use of phone numbers which would all expire by September 2022, and the maximum amount of the aggregate revenue attributable to such customers during the remaining contract term is RMB49,333.74. The Company has negotiated with such existing customers. Due to the customers' internal procedures, it was practically difficult for such customers to transfer the contracts to WFOE before the expiry of the existing effective contracts. The Company undertakes that, all contracts with respect to such customers will be entered into by the WFOE upon renewal of the existing contracts. In addition, any new contracts (whether prior to or after the [REDACTED]) in connection with the use of phone numbers would be entered into by the WFOE.

Future Business Development

We will continue to invest in and enhance the video capabilities of our platform by, among others, integrating with 5G network. Our solutions may involve the function of 5G message, which may be considered to fall under the category of information services (excluding Internet information service); and the function of video conferencing, which encompasses audio communication, and may be considered to fall under the category of

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domestic multi-party communication services. As such, while our businesses currently do not involve information services (excluding Internet information service) and domestic multi-party communication services, with the achievement of new functions, our businesses may be considered to fall within these two categories in the future. Such services are subcategories of value-added telecommunications services, and would require the VAT License. In view of our future business development and to ensure our compliance with the relevant PRC laws and regulations, (1) T&I Net Communication holds the VAT License for information service business (excluding Internet information service) and domestic multi-party communication services; and (2) Shanghai Tianrun Rongtong, Guanxun Information Technology and Xinfeng Information Technology holds the VAT License for domestic multi-party communication services.

We undertake that we will only conduct businesses that fall under the “prohibited” category of the Negative List. Should our future business are considered to fall under the “restricted” or “permitted” category of the Negative List, or do not form part of the Negative List, we will obtain confirmation and consent from the relevant authorities and the Stock Exchange and comply with all relevant Listing Rules and guidance letters prior to conducting such businesses under the Contractual Arrangements.

Other Entity

Xunchuan Rongtong Technology currently holds a VAT License, while has not yet commenced substantive business operations and is not expected to commence any substantial business operations by the time of the [REDACTED]. We undertake that, Xunchuan Rongtong will only conduct businesses that are considered to fall under the “prohibited” category of the Negative List. Should the Xunchuan Rongtong’s future businesses are considered to fall under the “restricted” or “permitted” category of the Negative List, or do not form part of the Negative List, we undertake to obtain confirmation and consent from the relevant authorities and the Stock Exchange, and comply with all relevant Listing Rules and guidance letters prior to conducting such businesses under the Contractual Arrangements.

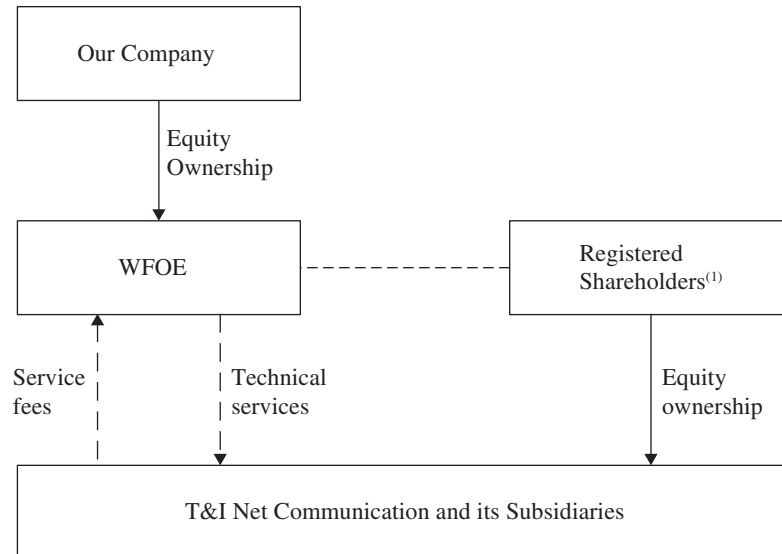
Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC laws if the relevant government authority grants the Value-added Telecommunications Business Operating License for Internet resource collaboration services to the sino-foreign entities currently held and to be established by our Company. In this event, WFOE will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate our business without using the Contractual Arrangements.

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



Notes:

- (1) The Registered Shareholders of T&I Net Communication include (i) individual shareholders (being Mr. Wu, Mr. Li, Mr. Pan, Mr. An, collectively, the “**Registered Individual Shareholders**”); and (ii) shareholders that are partnership entities (being Beijing Tianchuang Chuangrun, Beijing Yunjing, Beijing Yunhao, and Beijing Yunyu, collectively, the “**Registered Partnership Shareholders**”).

As of the Latest Practicable Date, Mr. Wu, Mr. Li, Mr. Pan, Mr. An, Beijing Tianchuang Chuangrun, Beijing Yunjing, Beijing Yunhao, and Beijing Yunyu held 35.11%, 5.58%, 5.07%, 3.09%, 24.63%, 11.80%, 11.72%, and 3.00% equity interest in T&I Net Communication, respectively.

For further information about the Registered Shareholders, please refer to “History, Reorganization and Corporate Structure”.

- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “---→” denotes contractual relationship.
- (4) “---” denotes the control by WFOE over the Registered Shareholders and T&I Net Communication through (i) powers of attorney to exercise all shareholders’ rights in T&I Net Communication, (ii) exclusive options to acquire all or part of the equity interests in T&I Net Communication and (iii) equity pledges over the equity interests in T&I Net Communication.

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Summary of the material terms of the Contractual Arrangements

Exclusive Technical Services Agreements

WFOE and T&I Net Communication entered into an exclusive consulting services agreement on May 12, 2021 (the “**Exclusive Technical Services Agreement**”), pursuant to which T&I Net Communication agreed to engage WFOE as the exclusive provider to T&I Net Communication of consultancy, technical support and relevant services, which may include technology development, technology promotion, technology transfer and other technological services; application software service; software development; software consulting; product design; model design; market research and business management consulting services. WFOE has also entered into an exclusive technical services agreement with each of the subsidiaries of T&I Net Communication whose terms are similar to the Exclusive Technical Services Agreement (collectively, “**Exclusive Technical Services Agreements**”).

Without the WFOE’s prior written consent, T&I Net Communication and its subsidiaries (the “**Consolidated Affiliated Entities**”) shall not receive services which are similar to the services covered by the Exclusive Technical Services Agreements from any third party.

WFOE is entitled to own all intellectual property rights arising out of the performance of these agreements. Our Consolidated Affiliated Entities agree to pay the entirety of their total income for the services provided by WFOE (net of costs, expenses, taxes and retained profits (if any)).

Under the Exclusive Technical Services Agreements, the Consolidated Affiliated Entities shall, among others: (1) subject to the relevant PRC laws and regulations, appoint the person recommended by WFOE as directors or senior management members of Consolidated Affiliated Entities, and shall not remove the members of their board of directors recommended by WFOE without the prior written consent of WFOE; (2) allow WFOE to inspect their accounts and provide other information relating to their operation, customers, financial information and employees; (3) hold the relevant certificates, licenses and seals (including business licenses, institutional credit code certificates, official seals, contract seals, financial seals and the name seals of legal representatives) that are material to their business operations, under the possession of the personnel recommended by WFOE and duly appointed by the Consolidated Affiliated Entities.

In addition, without the prior written consent of WFOE, our Consolidated Affiliated Entities shall not dispose of any material assets. To the extent permissible by the PRC laws and regulations, WFOE has the right to purchase all or part of the assets or businesses of the Consolidated Affiliated Entities at the minimum consideration permitted under the PRC laws and regulations.

The Exclusive Technical Services Agreements shall remain effective unless terminated by WFOE with a 30-day prior written notice.

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Exclusive Purchase Option Agreement

WFOE, T&I Communication and its Registered Shareholders entered into an exclusive purchase option agreement on May 12, 2021, which was replaced by the exclusive purchase option agreement entered into among WFOE, T&I Net Communication, its Registered Shareholders and Beijing Yunhao Industrial Investment Consulting (the general partner of Beijing Yunhao, Beijing Yunjing and Beijing Yunyu), Beijing Tiandi Rongchuang (the general partner of Beijing Tianchuang Chuangrun) and Mr. Tian (who ultimately controls Beijing Tiandi Rongchuang) (collectively, the "**Other Parties**") on September 14, 2021) (the "**Exclusive Purchase Option Agreement**"). Pursuant to the Exclusive Purchase Option Agreement, WFOE or its designee was granted an irrevocable and exclusive right to purchase (i) from each of the Registered Shareholders all or any part of their equity interests in T&I Net Communication and/or (ii) from T&I Net Communication all or any part of its assets or interests in any of its assets.

The purchase price payable by WFOE or its designee in respect of the transfer of shares or assets shall be the minimum consideration permitted under the PRC laws and regulations, and the Registered Shareholders shall return the purchase price in full to WFOE or its designee (subject to the relevant tax payment being made under the relevant PRC laws and regulations).

The Exclusive Purchase Option Agreement shall remain effective until, among others, WFOE or its designee acquire all the equity interest in and/or all assets of T&I Net Communication.

The Other Parties (i) acknowledged that the arrangement contemplated under the Exclusive Purchase Option Agreement shall be legally binding on the Registered Partnership Shareholders; (ii) agreed to procure the Registered Partnership Shareholders to comply with the terms of the Exclusive Purchase Option Agreement; and (iii) agreed that their decision-making in connection with the disposal of the Registered Partnership Shareholders' interests in T&I Net Communication shall be in accordance with the terms of the Exclusive Purchase Option Agreement and the Equity Pledge Agreement (as defined below).

The Registered Shareholders, among other things, have covenanted that, without WFOE's prior consent:

- (i) they shall not sell, transfer, pledge or dispose legal or beneficial interest in T&I Net Communication, or impose any encumbrances on such rights and interests, other than the creation of pledge under the Equity Pledge Agreement;
- (ii) they shall not increase or decrease the registered share capital of T&I Net Communication or in any way alter its existing equity structure at the time of signing of the Exclusive Purchase Option Agreement;

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- (iii) they shall not transfer, mortgage or, in any other form, dispose of or procure the management of T&I Net Communication to transfer, mortgage or dispose of any domestic company assets, legitimate income and benefits in any other form (other than in the ordinary course of business, and to WFOE and/or the designated person);
- (iv) they shall not terminate or procure the management of T&I Net Communication to terminate any material contract entered into by T&I Net Communication or any other agreement that conflicts with any existing material contract;
- (v) they shall not appoint or replace the directors, supervisors or other managers of T&I Net Communication;
- (vi) they shall not procure or consent to T&I Net Communication's declaration of or actual distribution of any distributable profits or dividends; and
- (vii) they shall not procure or consent to T&I Net Communication to amend its articles of association.

The Registered Shareholders shall also ensure that:

- (i) T&I Net Communication maintains effective existence, and not be terminated, liquidated or dissolved;
- (ii) T&I Net Communication does not incur any debts, provide guarantees or other forms of security, or assume any material obligations outside its ordinary course of business; and
- (iii) T&I Net Communication does not merge with any person/entity, purchase assets, equity or invests in any person/entity in any way.

T&I Net Communication, among other things, has covenanted that, without WFOE's prior consent, it shall not:

- (i) amend its articles of association, increase or decrease its registered capital or in any way alter its existing equity structure at the time of the signing of the Exclusive Purchase Option Agreement;
- (ii) assist or permit the Registered Shareholders shall not sell, transfer, pledge or dispose legal or beneficial interest in T&I Net Communication, or impose any encumbrances on such rights and interests, other than the creation of pledge under the Equity Pledge Agreement;
- (iii) terminate any material contracts entered into by T&I Net Communication or enter into any other agreement in conflict with any existing material contract;

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- (iv) conduct liquidation, dissolution or declaration of termination;
- (v) merge with, purchase, or otherwise invest in any person's assets, equity;
- (vi) incur any debts, provide guarantees or other forms of security, or assume any material obligations outside its ordinary course of business; and
- (vii) enter into any material contracts outside its ordinary course of business.

The Registered Shareholders and T&I Net Communication, among other things, have further covenanted that:

- (i) T&I Net Communication shall not distribute any dividend or profits to the Registered Shareholders. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant Laws) to WFOE or its shareholders;
- (ii) they shall immediately notify WFOE of any lawsuits, arbitrations, or administrative procedures relating to its shares or assets which have occurred or may occur;
- (iii) they shall abide strictly by the Contractual Arrangement, perform the obligations under such agreements effectively, and not take any actions or omissions which may adversely affect the validity and enforceability of such agreements; and
- (iv) T&I Net Communication shall purchase and maintain insurance for its assets and business from an insurance company in line with the requirements of WFOE.

Equity Pledge Agreement

On May 12, 2021, WFOE, T&I Net Communication and each of the Registered Shareholders entered into an equity pledge agreement. Subsequently on September 14, 2021, WFOE, T&I Net Communication, the Registered Partnership Shareholders and their respective general partner entered into a new sets of equity pledge agreements, which replaced the equity pledge agreements entered into by such Registered Partnership Shareholders on May 12, 2021. (equity pledge agreements entered into by the Registered Individual Shareholders on May 12, 2021, and the equity pledge agreements entered into by the Registered Partnership Shareholders on September 14, 2021, collectively, the "**Equity Pledge Agreements**"). The Equity Pledge Agreement in respect of Tianchuang Chuangrun has also been executed by Mr. Tian.

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Pursuant to the Equity Pledge Agreements, the Registered Shareholders pledged all of their respective equity interests in T&I Net Communication to WFOE as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Where applicable, the general partners of the Registered Partnership Shareholders and Mr. Tian (i) acknowledged that equity pledge shall be legally binding on the Registered Partnership Shareholders; and (ii) agreed that their decision-making in connection with the disposal of the Registered Partnership Shareholders’ interests in T&I Net Communication shall be in accordance with the terms of the Contractual Arrangements.

Among other things, the Registered Shareholders have warranted and undertaken that without WFOE’s prior written consent, they shall not transfer or otherwise dispose of the pledged shares, or create any other pledge or security interest over the pledged shares.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), WFOE may with written notice, exercise its right of pledge immediately or any time thereafter or otherwise dispose of the pledged equity interest in accordance with applicable PRC laws and regulations and have priority in the entitlement to the sale proceeds.

The Equity Pledge Agreement shall remain valid until after all the contractual obligations of the Registered Shareholders and the T&I Net Communication under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the T&I Net Communication under the relevant Contractual Arrangements have been fully paid.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed on June 17, 2021 in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

Voting Proxy Agreement

WFOE, T&I Net Communication, the Registered Shareholders entered into a shareholder voting rights proxy agreement on May 12, 2021, which was replaced by the shareholder voting rights proxy agreement entered into among WFOE, T&I Net Communication, the Registered Shareholders and the Other Parties on September 14, 2021 (the “**Voting Proxy Agreement**”). Pursuant to the Voting Proxy Agreement, each of the then Registered Shareholders appointed WFOE and/or its designee (including but not limited to Directors and their successors and liquidators replacing the Directors) as their exclusive agent and attorney to act on their behalf on all matters concerning T&I Net Communication and to exercise all of their rights as shareholder of T&I Net Communication, including, among others:

- (i) attending the shareholders’ meeting and exercising voting rights;

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- (ii) proposing to convene shareholders meetings, and signing any resolutions and minutes, approving amendments to the articles of association and filing documents with the relevant company registry;
- (iii) bringing proceedings or taking other legal action against the legal representative, director, supervisor, general manager and other senior managers of T&I Net Communication, in the event that their acts cause damages to the interests of T&I Net Communication or its shareholders;
- (iv) exercising voting rights in the event of bankruptcy, liquidation or dissolution of T&I Net Communication; and the right to the distribution of the remaining assets derived from the bankruptcy, liquidation, dissolution or termination of T&I Net Communication;
- (v) exercising, in accordance with the PRC laws, any shareholder rights to dispose of or manage the assets of T&I Net Communication; and
- (vi) any other shareholder rights under the articles of association of T&I Net Communication (as amended from time to time).

The Other Parties (i) acknowledged that the arrangement contemplated under the Voting Proxy Agreement shall be legally binding on the Registered Partnership Shareholders; (ii) agreed to procure the Registered Partnership Shareholders to comply with the terms of the Voting Proxy Agreement; and (iii) agreed that their decision-making in connection with the disposal of the Registered Partnership Shareholders' interests in T&I Net Communication shall be in accordance with the terms of the Voting Proxy Agreement.

The Registered Shareholders undertake that the authorization under the Voting Proxy Agreement will not lead to any actual or potential conflict of interest with WFOE and/or its designee(s). If there is any conflict of interest (subject to WFOE's sole discretion) with WFOE and other members of our Group, the Registered Shareholders shall prioritize to protect and will hold harmless of WFOE or any member of our Group and eliminate such conflict as soon as possible. Where the Registered Shareholders are the Directors or senior management of our Company, the rights in relation to the Voting Proxy Agreement will be granted to the Directors or senior management of our Company who are not the Registered shareholders. The Registered Shareholders shall not take or omit to take any actions which may lead to a conflict of interest with WFOE or its shareholders, nor the Registered Shareholders shall execute any agreement or make any undertaking therein which has the conflict of interest with any agreement signed or being preformed between T&I Net Communication, WFOE or its designee(s).

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A Registered Shareholder of T&I Net Communication may transfer or sell all or part of its shares in T&I Net Communication with WFOE’s consent, subject to the transferee’s agreement to undertake all rights and obligations of such Registered Shareholder under the Voting Proxy Agreement and the transferee shall become a party thereof in place of such Registered Shareholder of T&I Net Communication.

As a result of the Voting Proxy Agreement, the Company, through WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of T&I Net Communication.

The Voting Proxy Agreement shall remain effective until being terminated by WFOE with written notice.

Other aspects of the Contractual Arrangements

Undertaking Letters

To support the stability and continued validity and enforceability of our Contractual Arrangements, and in particular the Equity Pledge Agreement, we received irrevocable undertakings (承諾函) on September 15, 2021 (collectively, the “**Undertaking Letters**”) from each limited partner of the Registered Partnership Shareholders. Pursuant to the Undertaking Letters, the undertaking shareholders would not (or procure respective Registered Partnership Shareholder not to, as the case may be) enter into an arrangement (including pledge, sale, disposal or creation of other third-party rights) in respect of the equity interests held by them (or that respective Registered Partnership Shareholder) in the T&I Net Communication that may reduce either the effectiveness of the Registered Partnership Shareholder’s equity pledge to WFOE under the Contractual Arrangements or the stability of the Contractual Arrangements, unless: (i) they have obtained WFOE’s consent; and (ii) the counterparties or beneficiaries of the proposed arrangement have executed similar written undertaking(s) to the effect that they will not affect the performance of our Contractual Arrangements.

The main purpose of the Undertaking Letters is to further support the stability of the operation of the Contractual Arrangements (and the VIE structure that is created by the Contractual Arrangements, the “**VIE Structure**”). It is envisioned that the Undertaking Letters would achieve this purpose through, among others:

- (a) preventing the undertaking limited partners from entering into any arrangement involving their respective interests in the Registered Partnership Shareholder that would adversely affect the first priority pledge granted by the Registered Partnership Shareholder to WFOE under the Equity Pledge Agreement;
- (b) requiring the undertaking shareholders to refrain from taking any action that would harm the operation of the Contractual Arrangements (and the VIE Structure that it underpins); and

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- (c) ensuring that the undertaking shareholders are aware of, and directly support, the Registered Partnership Shareholder's entry into, and obligations under, the Contractual Arrangements; and that any new person that proposes to obtain an interest in the T&I Net Communication would, before acquiring such interest, give similar undertakings to maintain the stability of the Contractual Arrangements (and the VIE Structure that it underpins).

The Registered Partnership Shareholders are partnership entities. They are legally bound by, and are required to perform under, the terms of the Contractual Arrangements. Notwithstanding the fact that the Registered Partnership Shareholders, being partnership entities, are under substantively the same obligations, and legal responsibility, to perform under the Contractual Arrangements, as those that would be imposed on a natural person in the position of the Registered Partnership Shareholder, the following factors, among others, provide further protection in maintaining the operation and effectiveness of our Contractual Arrangements:

- (a) the Undertaking Letters given by the undertaking limited partners ensure that the natural persons behind the Registered Partnership Shareholder are supportive of, and would not undermine the stability of, or jeopardise the Registered Partnership Shareholder's performance under, the Contractual Arrangements; and
- (b) although the undertaking limited partners may enter into arrangements that may directly or indirectly concern interests in the Registered Partnership Shareholder, as advised by our PRC Legal Adviser, under PRC Laws, these arrangements (which include any change in the shareholders of the Registered Partnership Shareholder) would not affect the validity of the Contractual Arrangements or its legally binding effect upon the Registered Partnership Shareholder.

Spousal consents

The spouse of each of the Registered Individual Shareholders of T&I Net Communication and the spouse of Mr. Tian has signed a spousal consent letter, pursuant to which the signing spouses unconditionally and irrevocably agreed that they are aware of the Exclusive Purchase Option Agreement, Equity Pledge Agreement, Voting Proxy Agreement and Power of Attorney, and have no objection regarding such contractual arrangements.

The signing spouses agree that: (i) any equity interests held by their respective spouse as a Registered Shareholder in T&I Net Communication do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements, including any claims on the interests through legal proceedings; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

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Powers of Attorney

Pursuant to the Power of Attorney executed by each of the Registered Shareholders in favor of the WFOE (the "**Powers of Attorney**"), each of the Registered Shareholders irrevocably authorized WFOE as its representative to exercise all of its voting rights and other shareholder rights in the T&I Net Communication, including, among others:

- (i) attending the shareholders' meetings and exercising voting rights;
- (ii) proposing to convene shareholders meetings, and signing any resolutions and minutes, approving amendments to the articles of association and filing documents with the relevant company registry;
- (iii) bringing proceedings or taking other legal action against the legal representative, director, supervisor, general manager and other senior managers of T&I Net Communication, in the event that their acts cause damages to the interests of T&I Net Communication or its shareholders;
- (iv) exercising voting rights in the event of bankruptcy, liquidation or dissolution of T&I Net Communication; and the right to the distribution of the remaining assets derived from the bankruptcy, liquidation, dissolution or termination of T&I Net Communication;
- (v) exercising in accordance with the law any shareholder rights to dispose of or manage the assets of T&I Net Communication; and
- (vi) any other shareholder rights under the articles of association of T&I Net Communication (as amended from time to time).

Each of the Powers of Attorney shall remain effective during the period when the relevant shareholder remains as a shareholder of T&I Net Communication.

Dispute resolution

In the event of any dispute under the Contractual Arrangements, each of them provides that:

- (a) all disputes shall first be settled through friendly negotiation;
- (b) if such dispute fails to be resolved by negotiations within thirty days, any party shall have the right to submit the disputes to the Beijing Arbitration Commission, and such dispute shall be arbitrated in accordance with the then prevailing arbitration rules by three arbitrators, with such arbitration award final and binding on all parties to the arbitration;

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- (c) prior to the final award, the arbitration institution shall have the right to grant WFOE with appropriate legal remedies, including relevant remedial measures regarding the shares or assets of T&I Net Communication, remedial injunctions, and dissolution or liquidation of T&I Net Communication; and
- (d) subject to, and in compliance with, the PRC laws, competent courts (including the courts of China, Hong Kong, the Cayman Islands and the place where the principal assets of our Consolidated Affiliated Entities are located) have the power to grant interim remedies before the formation of the arbitral tribunal or in appropriate cases to support arbitration.

However, our PRC Legal Adviser has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order 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 any of our Consolidated Affiliated Entities 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 Entities and conduct our business could be materially and adversely affected. Please refer to “Risk factors – Risks Related to Our Corporate Structure” for details.

Succession

The Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the succession laws of China, the statutory successors include one’s spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, WFOE can enforce its rights against the successors.

Pursuant to the Exclusive Purchase Option Agreement, Exclusive Technical Services Agreement and Voting Proxy Agreement, in the event of death, loss of capacity, marriage or divorce, bankruptcy termination, liquidation or other circumstances which would affect the exercise of equity interest in T&I Net Communication, the successors (including the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents of the Registered Shareholders), assignees or other persons or entities obtain the equity interest in the T&I Net Communication as a result of any of the above events (the “**Successors**”) shall inherit or assume the rights and obligations under the relevant contracts, as if the inheritor was a signing party to such Contractual Arrangements.

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Based on the foregoing, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, termination or liquidation of the Registered Shareholders; (ii) loss of capacity, death, bankruptcy, termination or liquidation of the Registered Shareholders would not affect the validity of the Contractual Arrangements; and (iii) WFOE can enforce its rights under the Contractual Arrangements against the Successors as a result of any of the above events.

Conflicts of interest

Each of the Registered Shareholders has given their irrevocable undertakings in the Voting Proxy Agreement which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, please refer to “– Exclusive Purchase Option Agreement – Voting Proxy Agreement.”

Loss sharing

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

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

Liquidation

Pursuant to the Exclusive Technical Services Agreement, upon the liquidation or winding up of T&I Net Communication, WFOE is entitled to recommend, and T&I Net Communication shall appoint such recommended persons, to become members of the liquidation committee of T&I Net Communication. In the event of a liquidation or winding up, all of the remaining assets of T&I Net Communication shall be transferred to the WFOE after such liquidation or winding up pursuant to PRC laws.

Insurance

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

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Our confirmation

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

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that:

1. the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases: under the current PRC laws, the arbitration body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under Contractual Arrangements may not be legally and effectively enforced under current PRC law;
2. the consummation of the Contractual Arrangements does not violate the M&A Rules;
3. the execution and performance of the Contractual Arrangements would not be deemed as 'concealment of illegal intentions with a lawful form' under PRC Civil Code;
4. the execution and performance of the Contractual Arrangements do not violate the provisions of the articles of association of WFOE and T&I Net Communication; and
5. the execution of the Contractual Arrangements does not require any approvals or authorizations from PRC governmental authorities, except that:
 - (a) the pledge of any equity interest in the T&I Net Communication in favor of the WFOE is subject to registration requirements with the relevant administration for market regulation;
 - (b) the exercise by WFOE of its option rights under the Exclusive Purchase Option Agreements to acquire all or part of the equity interests in T&I Net Communication is subject to the approval of, consent of, filing with and/or registration with PRC governmental authorities;
 - (c) the transfer of the equity interest in T&I Net Communication contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;

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- (d) any arbitral awards or foreign rulings and/or judgements in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and
- (e) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of each of our Consolidated Affiliated Entities as interim remedies.

Based on all of the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Company to control our Consolidated Affiliated Entities that engage in the operation of our Principal Business where the PRC laws and regulations impose foreign ownership restrictions.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

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

Under the Exclusive Technical Services Agreements, it was agreed that, in consideration of the services provided by the WFOE, the Consolidated Affiliated Entities will pay services fees to the WFOE. The services fees, equal to the Consolidated Affiliated Entities' total income (net of costs, taxes and retained profits (if any)). The WFOE may adjust the services scopes and fees at its discretion in accordance with China tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. The WFOE also have the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, the WFOE has the ability, at its sole discretion, to extract all of the economic benefit of our T&I Net Communication through the Exclusive Consulting Services Agreement.

In addition, under the Exclusive Consulting Services Agreement and the Exclusive Purchase Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as the WFOE'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 Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant Laws) to our Company.

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As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through the WFOE and, at our Company’s sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 1 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) 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 will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

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

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Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods.” The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws. See “Risk factors – Risks Related to Our Corporate Structure – Our current corporate structure and business operations may be affected by the Foreign Investment Law.”