

CONTRACTUAL ARRANGEMENTS

BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

As described below, the businesses which we currently operate, i.e. provision of CRM PaaS services and CRM SaaS services, are subject to foreign investment restrictions under the current PRC laws and regulations. The provision of CRM PaaS services and CRM SaaS services falls within the scope of value-added telecommunication services which are subject to holding of valid SP Licence, and therefore, subject to foreign investment restriction.

In addition, the principal activities of some Consolidated Affiliated Entities are to undertake code numbers and procure channel resources including short message access codes from operators for members of the Group. Our PRC Legal Advisor takes the view that the aforesaid activities comply with the laws and regulations in the PRC, provided that each of the relevant Consolidated Affiliated Entities shall be in possession of a valid SP Licence.

After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold Xuan Wu and its subsidiaries directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over the Consolidated Affiliated Entities and receive the economic benefits generated by the Consolidated Affiliated Entities through the Contractual Arrangements among Xuantao, Xuan Wu and the Registered Shareholders.

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganisation activities. Pursuant to the Reorganisation, the agreements under the Contractual Arrangements were signed on 10 August 2021 and 29 December 2021, whereby Xuantao acquired effective control over the Consolidated Affiliated Entities and has become entitled to the economic benefits derived from the operations of the Consolidated Affiliated Entities. As a result, we do not directly own any equity interest in Xuan Wu and its subsidiaries.

The consolidated revenue generated by the Consolidated Affiliated Entities was approximately RMB518.8 million, RMB600.2 million, RMB796.8 million and RMB991.9 million for the four years ended 31 December 2021 respectively.

Our Directors believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct the business of providing value-added telecommunication services, which is subject to foreign investment restrictions of the PRC. Our Directors also believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders, (ii) by entering into the exclusive business cooperation agreements (獨家業務合作合同) dated 10 August 2021 and 29 December 2021 with Xuantao, which is a wholly-owned PRC subsidiary of our Company, Xuan Wu and its subsidiaries will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

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Further, our PRC Legal Advisor is of the opinion that in accordance with the provisions of the Company Law and the articles of association of the subsidiaries of Xuan Wu, Xuan Wu, as the sole shareholder or the controlling shareholder of the subsidiaries (as the case may be), is entitled to decide all material respects of the subsidiaries' operation and management. In addition, according to the Proxy Agreements and the Powers of Attorney (as defined below), the Registered Shareholders appoint Xuanta and any person designated by Xuanta as their proxy to manage their equity interests in Xuan Wu and exercise all their shareholder's rights in Xuan Wu on their behalf. Therefore, Xuanta can control Xuan Wu through the Contractual Arrangements and our Group can eventually control the subsidiaries of Xuan Wu through Xuanta. Based on the above, the Directors are of the view that the above arrangement can ensure the economic benefits generated from the operations of the Consolidated Affiliated Entities will flow to Xuanta and hence, the Group as a whole, and can provide the same level of protection for the Shareholders as direct control over the subsidiaries of Xuan Wu.

Reasons for adoption of the Contractual Arrangements

Pursuant to the Foreign Investment Negative List, provision of value-added telecommunication services falls within the "restricted" category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunication services shall not exceed 50% (the "**Foreign Ownership Restrictions**").

According to the Regulations on the Administration of Short Message Service (通信短信息服務管理規定), those who operate short message service ("**SMS**") shall obtain the telecommunication business licence according to the PRC laws. In particular, Article 6 of the Regulations on the Administration of Short Message Service provides that an operator of basic telecommunication business shall not, without telecommunication business licence, provide network or access service for sending SMS to any institution or individual. Accordingly, for access to the network maintained by telecommunication network operators for sending SMS, each of the Consolidated Affiliated Entities must obtain and has obtained the SP Licence.

Qualification requirements under FITE Regulations

Article 10 of the Administrative Provisions on the Administration of Foreign-funded Telecommunication Enterprises (外商投資電信企業管理規定) (the "**FITE Regulations**") further provides that a major foreign investor which invests in a value-added telecommunication business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunication businesses overseas (the "**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

The MIIT issued the Guidance Memorandum (外商投資經營電信業務審批服務指南). According to this Guidance Memorandum, a foreign investor applicant is required to provide the proof of the satisfaction of the Qualification Requirements. The Guidance Memorandum, however, does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements.

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The narrowly tailored Contractual Arrangements

We are of the view, and the Sole Sponsor concurs, that our Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisor consulted the MIIT in May of 2021 (the "Consultations") on the matters relating to the FITE Regulations, Qualification Requirements, Contractual Arrangements and the Group's SP Licence. We were advised by our PRC Legal Advisor that:

- both the Group's CRM PaaS services and CRM SaaS services fall within the value-added telecommunication businesses and SP Licence are required in the Group's business operation in both types of services;
- each of our Consolidated Affiliated Entities is required to hold an SP Licence for provision of CRM PaaS and/or CRM SaaS services;
- in the case of our Group, even if the overseas holding company can meet the Qualification Requirements, the MIIT will not give its approval on our Group's application for or renewal of SP Licence due to policy and regulatory reasons;
- if our Group is unable to apply for or renew its SP Licence, its carrying out of the existing CRM PaaS and CRM SaaS services will be in breach of the PRC law; and
- the Contractual Arrangements require no approval from the MIIT and the MIIT has not promulgated any regulation to prohibit the Contractual Arrangements.

Based on the Consultations, in order for our Group to carry out its current businesses in compliance with the PRC laws, all our Group's entities must be held under the Contractual Arrangements due to the foreign ownership restriction.

We are currently implementing a business plan with an aim to build up a track record of overseas CRM PaaS services and CRM SaaS services by taking the following concrete steps to ensure compliance with the Qualification Requirements:

- (a) we have registered a number of domain names (including "xuanwu.hk" and "xuanwucloud.hk") out of the PRC, and will construct an English website that will help potential overseas users to better understand our services and businesses;
- (b) we have registered a number of trademarks outside the PRC, including but not limited to "☞", "玄讯" and "即信" for the promotions of our services and business overseas;

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- (c) we have established a subsidiary in Hong Kong (namely Xuan Wu HK) for the purpose of registering and holding overseas intellectual properties, promoting our services and business, and entering into business contracts with offshore counterparties; and
- (d) through our offshore subsidiaries, we have been gradually exploring business opportunities for the CRM PaaS services and CRM SaaS services in overseas markets.

The PRC Legal Advisor is of the view that the above steps are generally regarded as relevant and reasonable factors to prove that the Qualification Requirements will be fulfilled.

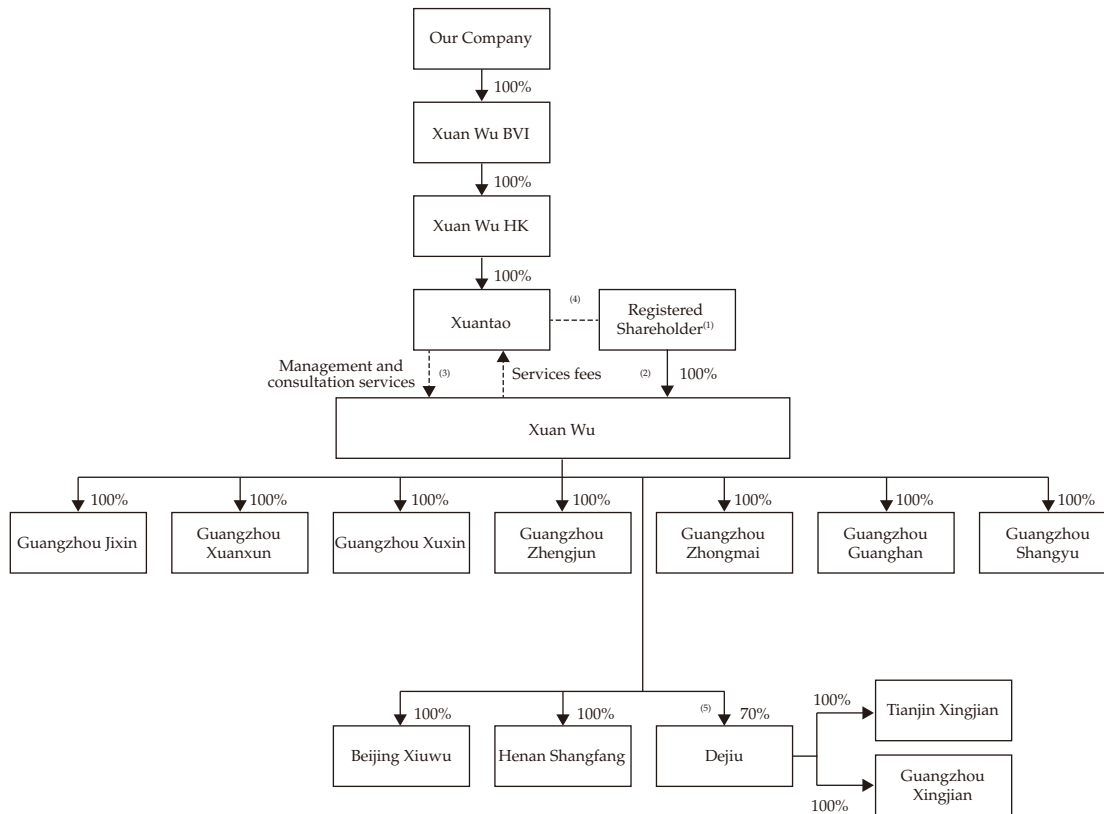
We will communicate with the relevant authorities on a regular basis following the [REDACTED] to keep abreast of any regulatory developments and assess whether it is qualified to meet the Qualification Requirements, with a view to unwinding the Contractual Arrangement wholly or partially as and when practicable and permissible under the prevailing PRC laws.

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

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



Notes:

1. Registered Shareholders refer to the registered shareholders of Xuan Wu, namely together with their shareholding in Xuan Wu, Mr. Chen (holding 19.1980%), Mr. Song (holding 16.9416%), Mr. Huang (holding 12.6085%), Mr. Li (holding 10.4867%), Guangzhou Xuandong (holding 5.9894%), Guangzhou Xuanxi (holding 3.4225%), Guangzhou Xuannan (holding 2.5669%), Guangzhou Xuanbei (holding 2.5669%), Shanghai Fosun (holding 5.9728%), Mr. Xie (holding 4.8312%), GF Qianhe (holding 3.3274%), Mr. Guo Haiqiu (holding 2.5669%), Guangzhou Zhengxin (holding 2.2817%), GL Venture Capital (holding 1.9014%), SZR Investment (holding 0.9602%), Mr. Chen Zhengxu (holding 0.9583%), Mr. Wu Fugui (holding 0.9583%), GF Securities (holding 0.9469%), Chengda Coastal (holding 0.5894%), Mr. Zhang Wei (holding 0.4259%), CITIC Securities (holding 0.3803%), Zhuhai Qingshi (holding 0.0608%), Mr. Zhang Boxiao (holding 0.0378%), Mr. Tang Bin (holding 0.0164%) and Mr. Sun Junwen (holding 0.0038%).
2. "→" denotes legal and beneficial ownership in the equity interest.
3. "----->" denotes contractual relationship among Xuantao and Xuan Wu and its subsidiaries.

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4. "-----" denotes the control by Xuantao over the Registered Shareholders and Xuan Wu and its subsidiaries through (1) powers of attorney to exercise all shareholders' rights of the Registered Shareholders in Xuan Wu and Xuan Wu in its subsidiaries, (2) exclusive options to acquire all or part of the equity interests of in Xuan Wu from the Registered Shareholders and in Xuan Wu's subsidiaries from Xuan Wu; and (3) equity pledges over the equity interests of the Registered Shareholders in Xuan Wu and Xuan Wu in its subsidiaries.
5. The remaining 30% equity interest in Dejiu is held by Mr. Luo Zhijian (羅志堅) who has been acting as a director of Dejiu, Tianjin Xingjian and Guangzhou Xingjian.

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted from foreign investment under the PRC laws.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders is set out below.

Exclusive Business Cooperation Agreements (《獨家業務合作合同》)

Under the exclusive business cooperation agreements dated 10 August 2021 and 29 December 2021 entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders (the "**Exclusive Business Cooperation Agreements**"), in exchange for an annual service fee, Xuan Wu and its subsidiaries agreed to engage Xuantao as their exclusive provider of technical support, consultation and other services, including but not limited to the following services:

- (1) development, maintenance and update of the software in respect of Xuan Wu's and its subsidiaries' business;
- (2) design, installation, maintenance and update of computer network systems, hardware and database design;
- (3) provision of technical support and professional training services for relevant employees of Xuan Wu and its subsidiaries;
- (4) provision of business strategies consultation;
- (5) provision of procurement, sales and business management consultation;
- (6) provision of human resource services;
- (7) provision of business finance and management services;
- (8) providing business related information system services;
- (9) provision of internal control services;

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- (10) provision of assistance in consultation, collection and research of relevant technology and market research;
- (11) provision of business strategic development and planning consultation;
- (12) provision of marketing and promotional services;
- (13) provision of customer order management and customer services; and
- (14) other relevant services requested by Xuan Wu and/or its subsidiaries from time to time to the extent permitted under PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fees shall be the total consolidated profit of Xuan Wu after deduction of any operating costs, depreciation, other expenses and relevant taxes.

During the term of the Exclusive Business Cooperation Agreements, Xuantaos shall enjoy the economic benefits and bear business risks arising from the operations of Xuan Wu and its subsidiaries. Xuantaos may also provide financial support to Xuan Wu and its subsidiaries in the form of bank's loans, lending and guarantee.

In addition, in the absence of the prior written consent of Xuantaos, during the term of the Exclusive Business Cooperation Agreements, with respect to the services and other matters subject to the Exclusive Business Cooperation Agreements, Xuan Wu and its subsidiaries shall not enter into any same or similar exclusive business cooperation agreement with any third party, accept in any way, directly or indirectly, the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party.

The Exclusive Business Cooperation Agreements also provide that Xuantaos has the sole and exclusive proprietary rights to and interests in any and all intellectual property rights developed or created during the performance of the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements were entered into on 10 August 2021 and 29 December 2021 and shall remain effective for 10 years therefrom, subject to Xuantaos's discretion to further renew its validity period. The Exclusive Business Cooperation Agreements may also be terminated in writing by Xuantaos 30 days in advance.

Exclusive Option Agreements (《獨家購買權合同》)

Under the exclusive option agreements dated 10 August 2021 and 29 December 2021 among Xuantaos, Xuan Wu and its subsidiaries and the Registered Shareholders (the "Exclusive Option Agreements"), Xuan Wu and its subsidiaries and the Registered Shareholders agreed to grant Xuantaos an irrevocable and exclusive right to require,

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without additional conditions, (i) each of the Registered Shareholders to transfer any or all their equity interests in Xuan Wu; (ii) Xuan Wu to transfer any or all of the assets it held; (iii) Xuan Wu to transfer any or all their equity interests in any of its subsidiaries and/or (iv) any of the subsidiaries of Xuan Wu to transfer any or all of the assets it held, to Xuantaos and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws.

Xuan Wu and its subsidiaries and the Registered Shareholders, among other things, have covenanted that:

- (1) without the prior written consent of Xuantaos, they shall not in any manner supplement, change or amend the constitutional documents of Xuan Wu and its subsidiaries, increase or decrease its registered capital, or change the structure of its registered capital in other manner;
- (2) they shall maintain corporate existence of Xuan Wu and its subsidiaries in accordance with good financial and business standards and practices, obtain and maintain all necessary government licences and prudently and effectively operate its business and handle its affairs;
- (3) without the prior written consent of Xuantaos, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any assets, business, revenue or other legal or beneficial interest of Xuan Wu and its subsidiaries of more than RMB1,000,000, or permit the encumbrance thereon of any security interest;
- (4) without the prior written consent of Xuantaos, Xuan Wu and its subsidiaries shall not incur or inherit any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;
- (5) Xuan Wu and its subsidiaries shall always operate all of its businesses in the ordinary course of business and refrain from any action/omission that may cause adverse effects to operating status and asset value of Xuan Wu and its subsidiaries;
- (6) without the prior written consent of Xuantaos, they shall not cause Xuan Wu and its subsidiaries to execute any material contract with a value above RMB1,000,000, except the contracts executed in the ordinary course of business;
- (7) without the prior written consent of Xuantaos, they shall not cause Xuan Wu and its subsidiaries to provide any person with any loan or provide any guarantee for the debts of any third party;
- (8) they shall provide Xuantaos with all information on business operations and financial condition of Xuan Wu and its subsidiaries at the request of Xuantaos;
- (9) without the prior written consent of Xuantaos, they shall not cause or permit Xuan Wu and its subsidiaries to merge or consolidate with, acquire or invest in any person;

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- (10) they shall immediately notify Xuantao of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to assets, business, revenue of or equity interest in Xuan Wu and its subsidiaries;
- (11) to maintain the (i) ownership by Xuan Wu and its subsidiaries of all of their assets (ii) ownership by the Registered Shareholders of the equity interest in Xuan Wu and (iii) ownership by Xuan Wu of the equity interest in its subsidiaries, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (12) without the prior written consent of Xuantao, Xuan Wu and its subsidiaries shall not in any manner distribute dividends to their shareholders, provided that upon the request of Xuantao, Xuan Wu and its subsidiaries shall immediately distribute profits to their shareholders;
- (13) at the request of Xuantao, they shall appoint any persons designated by Xuantao as the directors, supervisors and senior management of Xuan Wu and its subsidiaries and/or remove any existing directors, supervisors and senior management of Xuan Wu and its subsidiaries; and
- (14) without consent of Xuantao, Xuan Wu and its subsidiaries shall not engage in any business in competition with Xuantao or its affiliates.

In addition, Xuan Wu and its subsidiaries and the Registered Shareholders, among other things, have covenanted that:

- (1) without prior written consent of Xuantao, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Xuan Wu and its subsidiaries, or allow the encumbrance thereon of any security interest, except for the Exclusive Option Agreements, the equity pledge agreements dated 10 August 2021 and 29 December 2021 entered into among Xuantao, the Registered Shareholders and Xuan Wu and its subsidiaries, and the interests prescribed in the proxy agreements and powers of attorney entered into by the Registered Shareholder, and procure the shareholders' meeting and the board of directors of Xuan Wu not to approve such matters;
- (2) for each exercise of the equity purchase option and asset purchase option, to cause the shareholders' meeting or the board of directors of Xuan Wu and its subsidiaries to vote for the approval of the transfer of equity interests, the transfer of assets, and any other action requested by Xuantao;
- (3) at any time at the request of Xuantao to exercise the equity purchase option and the asset purchase option, Xuan Wu shall immediately transfer its shares in its subsidiaries, and any of the Registered Shareholders shall immediately transfer his/their shares of Xuan Wu, to Xuantao or its designated person(s),

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and any Registered Shareholder and Xuan Wu shall waive any pre-emptive right that they are entitled (if any); and

- (4) Xuan Wu and each of the Registered Shareholders will transfer to Xuantao or its appointee(s) at the lowest purchase price that is permitted by the PRC laws any profit, interest, dividend or proceeds received from liquidation in accordance with the PRC laws and after the payment of any tax required under the relevant laws.

The Registered Shareholders or Xuan Wu and its subsidiaries shall return to Xuantao or any person designated by Xuantao, all the consideration that they receive in the event that Xuantao exercises options under the Exclusive Option Agreements to acquire the equity interests in and/or the assets held by Xuan Wu and its subsidiaries.

The Exclusive Option Agreements were entered into on 10 August 2021 and 29 December 2021 and shall remain effective for 10 years therefrom, subject to Xuantao's discretion to further renew its validity period. The Exclusive Option Agreements may also be terminated in writing by Xuantao 30 days in advance.

Equity Pledge Agreements (《股權質押合同》)

Under the equity pledge agreements dated 10 August 2021 and 29 December 2021 entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders (the "**Equity Pledge Agreements**"), Xuan Wu and the Registered Shareholders agreed to pledge all their respective equity interests in Xuan Wu and its subsidiaries that they own, including any dividend or other benefits arising therefrom, to Xuantao as charge to guarantee the performance of contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Proxy Agreements (defined below).

The pledge in respect of (i) Xuan Wu and (ii) Xuan Wu's subsidiaries took effect upon the completion of registration with the relevant administration for industry and commerce by 9 March 2022, and shall remain valid until after: (1) all the contractual obligations of the Registered Shareholders and Xuan Wu and its subsidiaries under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Proxy Agreements and the Powers of Attorney (defined below) have been fully performed or terminated; (2) all the costs to be borne by the Registered Shareholders and Xuan Wu and its subsidiaries thereunder have been fully paid; or (3) Xuantao and/or designated assignee(s) has, subject to the relevant laws and regulations, purchased all the equity interests in Xuan Wu pursuant to the Exclusive Option Agreements, all such equity interest has been legally transferred to Xuantao and/or the designated assignee(s), and Xuantao and/or designated assignee(s) can legally operate the business of Xuan Wu and its subsidiaries. The Equity Pledge Agreements were entered into on 10 August 2021 and 29 December 2021 and shall remain effective for 10 years therefrom, subject to Xuantao's discretion to further renew its validity period. The Equity Pledge Agreements may also be terminated in writing by Xuantao 30 days in advance.

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Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), Xuantao shall be compensated for all the losses it suffered due to such default, and Xuantao shall upon written notice to Xuan Wu and/or the Registered Shareholders have the right to exercise all such rights as a party suffering breach of contract under any applicable PRC laws.

Proxy Agreements (《股東表決權委託合同》) and Powers of Attorney (《授權委託書》)

Xuan Wu and the Registered Shareholders had entered into the proxy agreements (the "Proxy Agreements") and executed the powers of attorney (the "Powers of Attorney") on 10 August 2021 and 29 December 2021, respectively.

Under the Proxy Agreements, Xuan Wu and the Registered Shareholders appointed Xuantao and/or any person designated by Xuantao as their proxy to manage their equity interest in Xuan Wu and/or its subsidiaries and exercise all shareholder's rights in Xuan Wu and/or its subsidiaries on behalf of the Registered Shareholders and/or Xuan Wu.

Each of the Registered Shareholders has agreed that (i) in the event of his/their death, bankruptcy, divorce, insolvency, liquidation or any other event which causes change of his/their ownership of Xuan Wu, his/their successors, liquidators and spouse shall be entitled to and bound by his/their rights, obligations and liabilities under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements; and (ii) unless approved by Xuantao in writing, the will, divorce agreement, voluntary arrangements and other legal instruments entered into by the Registered Shareholders shall not contain any provision that contravenes the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements and the Proxy Agreements.

Xuan Wu has agreed that (i) in the event of its insolvency, liquidation or any other event which causes change of its ownership of its subsidiaries, its successors management or liquidators (if any) shall be entitled to and bound by its rights, obligations and liabilities under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements; and (ii) unless approved by Xuantao in writing, the voluntary arrangements and other legal instruments entered into by Xuan Wu shall not contain any provision that contravenes the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements and the Proxy Agreements.

Under the Powers of Attorney, Xuan Wu and the Registered Shareholders irrevocably appointed Xuantao, its successors and any of its liquidators (if any), or its designated person(s) (including Directors and their successors and liquidators replacing the Directors) as their attorneys-in-fact to exercise on their behalf:

- (1) to file relevant documents with the relevant companies registration authority or government authority and to approve the delivery of any registration documents to the government authority;

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- (2) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Xuan Wu and its subsidiaries, including but not limited to the right to dividends, and the sale, transfer, pledge or disposal or any or all of the equity interests in Xuan Wu and its subsidiaries;
- (3) to serve as an executive director or a supervisor of Xuan Wu and its subsidiaries, and/or to exercise the corresponding functions and power pursuant to the constitutional documents of Xuan Wu and its subsidiaries;
- (4) to exercise the shareholders' voting rights at the bankruptcy, liquidation, dissolution or termination of Xuan Wu and its subsidiaries, and to form a liquidation committee to exercise the rights enjoyed by the liquidation committee during the period of liquidation in accordance with the laws, including without limitation to vote on the disposal of the assets of Xuan Wu and its subsidiaries;
- (5) to exercise the distribution right in relation to the assets remaining from the bankruptcy, liquidation, dissolution or termination of Xuan Wu and its subsidiaries;
- (6) to exercise any shareholders' right in relation to dealing with the assets of Xuan Wu and its subsidiaries in accordance with the laws, including but not limited to the right to manage the business relevant to the assets, the right to access and use of profits of Xuan Wu and its subsidiaries and the right to dispose of or acquire the assets of Xuan Wu and its subsidiaries;
- (7) to approve the annual budget and distribution of dividends of Xuan Wu and its subsidiaries;
- (8) to sign any documents, including without limitation to minutes of shareholders' meeting Xuan Wu and its subsidiaries; and
- (9) to exercise other rights pursuant to the constitutional documents of Xuan Wu and its subsidiaries.

Any non-independent persons or those who may give rise to conflict of interest will not be appointed as a designated person of Xuan Wu and its subsidiaries.

Each of the Registered Shareholders has undertaken that he will not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Xuantaos and Xuan Wu to participate in, engage in, be involved in or own, any business which potentially competes with Xuantaos, Xuan Wu's affiliates or its main business, nor will he/they hold any interest or obtain any benefit from such business.

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The authorisation under the Powers of Attorney by the Registered Shareholders shall not cause a conflict of interest between any of the Registered Shareholders and Xuantao and/or the actual or potential interests of the appointee. If a potential conflict of interest arises between any of the Registered Shareholders and Xuan Wu on one hand, and Xuantao, our Company or its subsidiaries on the other, the Registered Shareholder shall not harm the interests of Xuantao or our Company. Where any of the Registered Shareholders serve as the director or senior management of of Xuan Wu or our Company, the Registered Shareholder shall authorise Xuantao, or other directors or senior management a directed by Xuantao, to exercise the rights under the Powers of Attorney. Each of the Registered Shareholders shall not sign with any external party any agreement which poses a conflict of interest with any agreements signed with Xuan Wu or Xuantao and its designated person(s) and which are in performance, and shall not make relevant promises. Each of the Registered Shareholders shall not cause, by action or inaction, a conflict of interest between himself and Xuantao and its shareholders. If such a conflict arises, the Registered Shareholder refuses to take steps to remove such conflict, Xuantao has the right to exercise the equity purchase option and asset purchase option under the Exclusive Business Option Agreements and any other remedial rights.

The authorisation under the Powers of Attorney by Xuan Wu shall not cause a conflict of interest between Xuan Wu and its subsidiaries and/or the actual or potential interests of the appointee. If a potential conflict of interest arises between Xuan Wu and its subsidiaries on one hand, and Xuantao, our Company or its subsidiaries on the other, Xuan Wu shall not harm the interests of Xuantao or our Company. Xuan Wu shall not sign with any external party any agreement which poses a conflict of interest with any agreements signed with its subsidiaries or Xuantao and its designated person(s) and which are in performance, and shall not make relevant promises. Xuan Wu shall not cause, by action or inaction, a conflict of interest between itself and Xuantao and its shareholders. If such a conflict arises, Xuan Wu refuses to take steps to remove such conflict, Xuantao has the right to exercise the equity purchase option and asset purchase option under the Exclusive Business Option Agreements and any other remedial rights.

Mr. Lou Zhijian (羅志堅), who owns 30% of the share capital of Dejiu, agreed that (i) if Xuantao exercises its options under the Exclusive Option Agreements to acquire the 70% of the share capital of Dejiu, he shall forfeit his preemptive rights in the relevant shares and cooperate with the necessary execution of documents and registration procedures; and (ii) in the event of his death, bankruptcy, divorce, insolvency, liquidation or any other event which causes his inability to exercise his rights as the shareholder of Dejiu, his successors (including his spouse) shall be bound by his aforesaid obligations.

The Powers of Attorney shall be irrevocable and remain effective until the Proxy Agreements are terminated or Xuantao informs Xuan Wu and the Registered Shareholder in writing the termination of the Powers of Attorney.

Undertakings from the Registered Shareholders

Each of the Registered Shareholders, namely, Mr. Chen, Mr. Song, Mr. Huang, Mr. Li, the ESOP Platform, Shanghai Fosun, Mr. Xie, GF Qianhe, Mr. Guo Haiqiu, Guangzhou Zhengxin, GL Venture Capital, SZR Investment, Mr. Chen Zhengxu, Mr. Wu Fugui, GF

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Securities, Chengda Coastal, Mr. Zhang Wei, CITIC Securities, Zhuhai Qingshi, Mr. Zhang Boxiao, Mr. Tang Bin and Mr. Sun Junwen has confirmed to the effect that among other things, (i) his spouse (where applicable) does not own and does not have the right to claim any interests in the equity interest of Xuan Wu (together with any other interests therein) or exert influence on the day-to-day management by Xuan Wu, (ii) where applicable, in the event of his/their death, incapacity, bankruptcy, divorce, insolvency, liquidation or any other event which causes his/their inability to exercise his/their rights as a shareholder of Xuan Wu, he/they will take actions deemed necessary by Xuantaos to safeguard the performance of the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Proxy Agreements and the Powers of Attorney, and his/their successors, guardians, managers, liquidators, creditors, spouse or any other person that has a claim on his/their equity interest in Xuan Wu or related rights will not, under any circumstance and in any way, take any action, when such action may affect or hinder the respective Registered Shareholder and/or Xuan Wu in performing their obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Proxy Agreements and the Powers of Attorney.

Spouse Undertakings (《配偶承諾書》)

The spouse of each of the Registered Shareholders, where applicable, has signed undertakings to the effect that (i) the respective individual Registered Shareholder's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to such interests of the respective Registered Shareholder and will not have any claim on such interests.

Our PRC Legal Advisor is of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of any individual Registered Shareholders and (ii) the death or divorce of such individual Registered Shareholders would not affect the validity of the Contractual Arrangements, and Xuantaos can still enforce its right under the Contractual Arrangements against the Registered Shareholders.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the interpretation and/or performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Guangzhou Arbitration Commission for arbitration in Guangzhou, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Xuan Wu and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Xuan Wu and/or its subsidiaries; any party may apply to the courts of Guangzhou (being the place of incorporation of Xuan Wu), Hong Kong the Cayman Islands (being the place of

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incorporation of our Company) and the places where the principal assets of Xuan Wu and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carry out of arbitration.

However, our PRC Legal Advisor 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 Xuan Wu and/or its subsidiaries 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 recognisable or enforceable in the PRC.

As a result of the above, in the event that Xuan Wu 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. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our Contractual Arrangements" in this [REDACTED].

Loss Sharing

As advised by our PRC Legal Advisor, under the relevant PRC laws and regulations, none of our Company and Xuantaos is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Xuantaos intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts all of our business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licences and approvals, and that their financial positions and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, results of operations and financial condition would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Exclusive Option Agreements, without prior written consent of Xuantaos, Xuan Wu and its subsidiaries shall not, among others (i) sell, transfer, pledge, or dispose of in any manner any of its assets of more than RMB1,000,000, (ii) execute any material contract with a value above RMB1,000,000, except those entered into in the ordinary course of business, (iii) provide any loan, credit or guarantees in any form to any third party, (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business, (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreement, the potential adverse effect on Xuantaos and our Company in the event of any loss suffered from Xuan Wu and its subsidiaries can be limited to a certain extent.

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Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our Contractual Arrangements" in this [REDACTED]. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as at the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

Liquidation

Pursuant to the Exclusive Option Agreements, in the event of mandatory liquidation required by the PRC laws, Xuan Wu and the Registered Shareholders shall give the proceeds they receive from liquidation as a gift to Xuantaos to the extent permitted by the PRC laws.

Our Confirmation

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the CRM PaaS and CRM SaaS services through our Consolidated Affiliated Entity under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

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

- (a) parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) 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 them would fall within the circumstances as stipulated in the PRC Civil Code (中華人民共和國民法典) which render the arrangements invalid under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Xuan Wu or Xuantaos;
- (d) parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
 - (i) the exercise of the option by Xuantaos of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Xuan Wu are subject to the approvals of and/or registrations with the PRC regulatory authorities;

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- (ii) any share pledge contemplated under the share pledge agreements is subject to the registration with local market supervision administration; and
 - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement.
- (e) each of the agreements conferring significant control and economic benefits from the Consolidated Affiliated Entities is enforceable under the relevant laws and regulations including but not limited to the Foreign Investment Law and the Foreign Investment Negative List, except for the following provisions regarding dispute resolution and the liquidation committee:
- (i) the Contractual Arrangements provide that any dispute shall be submitted to the Guangzhou Arbitration Commission for arbitration in Guangzhou, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Xuan Wu and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Xuan Wu and/or its subsidiaries; any party may apply to the courts of Guangzhou (being the place of incorporation of Xuan Wu), Hong Kong the Cayman Islands (being the place of incorporation of our Company) and the places where the principal assets of Xuan Wu and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carry out of arbitration; and
 - (ii) the Contractual Arrangements provide that the shareholders of Xuan Wu undertake to appoint a committee designated by Xuantaos as the liquidation committee upon the winding up of Xuan Wu to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Based on the above and the Consultations, the PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach or violation of the PRC laws and that the Contractual Arrangements will not be deemed ineffective or invalid and will not result in any administrative proceedings or penalties on us.

However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our

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PRC Legal Advisor. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations" in this [REDACTED].

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC and not likely to be challenged by the relevant authorities in the PRC. Our PRC Legal Advisor is of the view that the MIIT and the personnel (a director of the Information and Communication Development Department (信息通信發展司) of the MIIT) consulted in the interviews were competent to interpret the relevant regulations and rules of the PRC for the CRM PaaS and CRM SaaS services. We are also advised by our PRC Legal Advisor that the transfer of economic benefits from our Consolidated Affiliated Entities to Xuantao and the pledging of the entire equity interest held by the Registered Shareholders in Xuan Wu and that held by Xuan Wu in its subsidiaries to Xuantao under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations.

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 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law (中華人民共和國合同法) 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 the PRC courts and/or arbitration panels taking similar actions against contractual arrangements 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 arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Advisor is of the view that the agreements under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" under Article 52 of the PRC Contract Law for the following reasons: (a) 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; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code came into effect on 1 January 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code no longer specifies the "concealing illegal intentions with a lawful form" as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not

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limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. Our PRC Legal Advisor is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver [has been sought] from and [has been granted] by the Stock Exchange. For details, please refer to the section headed "Connected Transactions" in this [REDACTED].

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by Xuantao, Xuan Wu and its subsidiaries will pay service fees to Xuantao. The service fees shall be the total consolidated profit of Xuan Wu after deduction of any operating costs, depreciation, other expenses and relevant taxes. Accordingly, Xuantao has the ability, at its sole discretion, to extract the economic benefits of Xuan Wu (and its subsidiaries on a consolidated basis) through the Exclusive Business Cooperation Agreements.

In addition, under the Exclusive Option Agreements, Xuantao has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders and Xuan Wu as Xuantao's prior written consent is required before any distribution can be made.

As a result of these Contractual Arrangements, our Company has obtained control of Xuan Wu (and its subsidiaries on a consolidated basis) through Xuantao and, at our Company's sole discretion, can receive 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.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in Note 2 to the Accountant's Report set out in Appendix I to this [REDACTED].

Development in the PRC Legislation on Foreign Investment

The Foreign Investment Law (2019)

The Foreign Investment Law was adopted at the 2nd Session of the 13th NPC of the PRC on 15 March 2019 and came into force from 1 January 2020. On 26 December 2019, the

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State Council issued the Implementation Rules (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020.

The Foreign Investment Law stipulates the implementation of the management systems of pre-establishment national treatment and "negative list" for foreign investment. The "negative list", which was issued by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. 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 of domestic and foreign investment. The Foreign Investment Law does not contain or quote the stipulation of the "negative list."

Unlike the 2015 draft foreign investment law (which did not come into effect), the definition of "foreign investors" in Foreign Investment Law and its implementing regulations includes foreign natural persons, enterprises and other organisations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law and its implementing regulations do 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 Foreign Investment Law on Contractual Arrangements

Our PRC Legal Advisor is of the view that since contractual arrangements are not specified as "foreign investments" under the Foreign Investment Law and its implementing regulations and if there is no applicable law or regulation that explain "other means" of foreign investment under the Foreign Investment Law, or if "other means" of foreign investment are not specified under applicable laws or regulations to include contractual arrangements, it is unlikely that the Contractual Arrangements will be deemed as "foreign investments" under the Foreign Investment Law and its implementing regulations 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 Foreign Investment Law and its implementing regulations do not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and each of the Contractual Arrangements is valid, legal and binding under PRC laws, taking into consideration of the Foreign Investment Law and the "negative list", except for the provisions regarding dispute resolution and the liquidation committee mentioned above.

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If the operation of the Relevant Business is not on the "negative list" and we can legally operate such business under PRC laws, Xuantaos will exercise the option right under the Exclusive Option Agreements to acquire the equity interest of Xuan Wu and/or its subsidiaries and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the provision of our CRM PaaS and CRM SaaS services is on the "negative list", unless applicable laws or regulations define contractual arrangements as one of the "other means" of foreign investment, the probability that Contractual Arrangements are deemed as "foreign investment" under the Foreign Investment Law and be regulated by relevant authorities in accordance with the requirements of the "negative list", which results 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 Advisor is of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangement and the enactment of laws and regulations impacting them, and may make decisions according to different situations in practice.

As there are no other related ancillary regulations or implementing rule of the Foreign Investment Law defining other means of foreign investment, the interpretation and implementation of the Foreign Investment Law might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the laws and regulations above will not only apply to our Company and Xuan Wu, but also apply to other entities which operate under contractual arrangements.

Development in the PRC Legislation on Personal Information Protection

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), issued on 20 August 2021 by the SCNPC provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected.

Although we, as an intelligent CRM services provider in the PRC, do not directly collect personal information from individuals or process personal data, we may have limited access to personal information provided by our clients, namely medical institutions, who ultimately control and use individuals' data. As such, we may be subject to these recently enacted laws and regulations. We have in place various internal control measures on data privacy and personal information protection.

Considering that we are not directly involved in processing personal information which is instead processed and controlled by our clients, and we only have access to a

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limited amount of personal information, our Directors are of the view that these newly-enacted laws do not have a material and adverse impact on our business and operations. Our PRC Legal Advisor is of the view that, we have not been subject to any penalties or claims for violating the applicable PRC laws and regulations and we are in compliance with these laws and regulations in all material aspects.

Development in the PRC Legislation relating to Overseas Listing

On 24 December 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行上市備案管理辦法(徵求意見稿)》) (collectively the "**Draft Listing Regulations**"). The Draft Listing Regulations, if adopted in their current forms, will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime.

According to the Draft Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means (such as ours), are required to fulfill the filing procedure with the CSRC and report relevant information. The Draft Listing Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity ("**VIE**") structure through contractual arrangements, including but not limited to the circumstances under which listing overseas was prohibited by the PRC laws, regulations and relevant provisions in relation to foreign investment, cybersecurity, data security, corporate governance, financial and accounting practices, the planned use of proceeds, and confidentiality duty that listing applicants shall comply. Where an issuer submits an application for initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Listing Regulations also required subsequent report to the CSRC on material events, such as material change in principal business and change of control. As of the Latest Practicable Date, the Draft Listing Regulations were in draft form and had not come into effect.

On 24 December 2021, a spokesperson of the CSRC at a press conference in relation to the Draft Listing Regulations ("**Press Conference**") clarified that the implementation of the Draft Listing Regulations will follow the legal principle of non-retroactivity and the CSRC would initiate the filing requirements and procedures with the new applicants ("**New Applicants**"), i.e. the new overseas initial public offering applicants, and the stock enterprises ("**Stock Enterprises**"), i.e. the existing overseas-listed companies that had subsequent financing activities, while the remaining Stock Enterprises will be separately granted a sufficient transitional period in order for them to complete the relevant filing procedures after the Draft Listing Regulations became effective. In addition, during the Press Conference, the spokesperson of the CSRC also stated that "conditional upon complying with the domestic laws and regulations, enterprises adopting a VIE structure that have met the compliance requirements may seek listing overseas after completing proper filing procedures". Therefore, as confirmed by our PRC Legal Adviser, the Draft

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Listing Regulations do not raise new compliance requirements for the business operations and overseas offering and listing of PRC domestic companies adopting a VIE structure through contractual arrangement. Therefore, we and our PRC Legal Adviser do not expect the Draft Listing Regulations, if adopted in their current forms, would have a material adverse impact on our business operations and the [REDACTED]. Once the Draft Listing Regulations are promulgated and implemented, we will, if necessary, immediately comply with the filing procedures in effect as the Draft Listing Regulations become effective.

In addition, on 27 December 2021, the NDRC and the MOFCOM published the latest Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the "**2021 Negative List**"). Article 6 of the Interpretation Note of the 2021 Negative List ("**Article 6**") provides that "where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas ("**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**"), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors." Because the business of the Group is in the restricted areas of the 2021 Negative List instead of the prohibited areas, Article 6 would not apply to the Group's [REDACTED] and the Group is not required to obtain governmental approval regarding the [REDACTED].

On 18 January 2022, a press conference was held by the NDRC to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applying to the situations where domestic enterprises were seeking a direct overseas issuance and listing (i.e. H-shares listing).

Further, the PRC Legal Advisor has conducted a full legal due diligence for the purpose of examining whether the Company is able to comply with the [REDACTED] if they are implemented in their current forms. The PRC Legal Adviser concludes that:

- (1) there are no specific clauses or relevant provisions in PRC laws and regulations that explicitly prohibited us from [REDACTED]. We are a domestic intelligent CRM services provider in the PRC, and there are no such circumstances under which the [REDACTED] is expressly prohibited by PRC laws, regulations and relevant provisions currently in effect. We have not received any notice or decision from the relevant authorities under the State Council stating that, based on their review in accordance with the PRC laws, the [REDACTED] would threaten or endanger China's national security.
- (2) there have not been any material non-compliance incidents discovered from the comprehensive review of the compliance status in relation to foreign investment, cybersecurity, and data security in all material aspects.

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- (3) each of the Group's domestic subsidiaries has formulated its articles of association and regulated its corporate governance and financial and accounting practices in accordance with the Company Law of the People's Republic of China, the Accounting Law of the People's Republic of China and other laws and regulations.
- (4) the planned [REDACTED] from the [REDACTED] is in compliance with the requirements of the relevant PRC regulations. We have completed the foreign exchange registration for individual domestic residents' overseas investments (the "SAFE Circular 37 Registration") for the relevant Chinese individual shareholders, and have obtained all FDI registration/filing for our relevant domestic subsidiaries in accordance with the PRC laws for the purpose of the [REDACTED], which is in compliance with the national regulations on cross-border investment and financing, foreign exchange and cross-border RMB administrations, etc.
- (5) All the personal information data processed by us are stored in the PRC and have not been provided to any third party overseas. The [REDACTED] does not involve the provision of personal information and important data overseas. At the same time, we have established a data security management system and a personal information protection system in compliance with the relevant PRC laws and regulations.
- (6) to our best knowledge, none of the circumstances that would prohibit us from conducting the [REDACTED] under the [REDACTED].
- (7) our PRC Legal Adviser has also conducted public searches against our PRC subsidiaries, our controlling shareholders, as well as our directors and senior management, and did not find any of them having been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting the [REDACTED] under the [REDACTED].

On the basis of the foregoing, we and our PRC Legal Advisor do not foresee there would be any material legal obstacles for us to comply with each provision of the [REDACTED] after they are implemented in their current forms and the [REDACTED] would not have any material adverse impact on the Company, the variable interest entity structure of the Group and the proposed [REDACTED].

Our Directors confirm that, [as at the date of this [REDACTED]], the Group has not received any enquiries, notice, sanction and other concerns, from any authorities, in regards to its qualification of [REDACTED], Contractual Arrangements and VIE structure.

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Compliance with the Contractual Arrangements

Our Company has adopted the following measures to ensure the effective operation of our Company 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 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 Xuantaos and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Based on our consultation with the Information and Communication Development Department (信息通信發展司) of the MIIT, they were fully aware of the VIE structure and [REDACTED], and had raised no objection to the contractual arrangement. As of [the date of this [REDACTED]], the Group has received no enquiries, notice, sanction and other concerns from any authorities in relation to its [REDACTED], Contractual Arrangements and VIE structure.