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PRC REGULATORY BACKGROUND

Background

Foreign investment activities in the PRC are mainly governed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020版)》) (the “**Negative List**”), which was promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Negative List sets forth the industries in which foreign investment is restricted or prohibited. As advised by our PRC Legal Advisor, a summary of our business/operation that is subject to foreign investment restriction in accordance with the Negative List and other applicable PRC laws and on consultations with relevant governmental authorities is set out below (the “**Relevant Businesses**”):

Categories

Our business/operation

Radio and television program production

Shanghai Linmon and certain of its subsidiaries engage in the production of radio and television programs including drama series, and the requisite licenses and permits include the Radio and TV Programs Production and Operation License (廣播電視節目製作經營許可證) and the TV Series Production License (《電視劇製作許可證》) under applicable PRC laws and regulations. According to the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting such business. Such prohibition was confirmed during the interview with the NRTA by our PRC Legal Advisor and the Joint Sponsors’ PRC Legal Advisor in September 2021.

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Categories

Our business/operation

As of the Latest Practicable Date, Shanghai Linmon holds the Radio and TV Programs Production and Operation License issued by the Shanghai Municipal Radio and Television Bureau and the TV Series Production License (Type A) (《電視劇製作許可證(甲證)》) issued by the NRTA. As of the Latest Practicable Date, certain of its subsidiaries, including Linmon Yuexin, Linmon Kaixin, Dongyang Linmon, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon, Horgos Linmon Black Tea, Wuren Guanji, Shanghai Ningchuan, Hainan Linmon and Yuri Juzeng, each holds the Radio and TV Programs Production and Operation License issued by the relevant provincial level radio and television bureaus. Our PRC Legal Advisor is of the view that (i) the NRTA is the competent authority and its officer who attended the interview is a competent person to provide the foregoing confirmation; and (ii) to maintain the business operation of the Consolidated Affiliated Entities engaging in production of radio and television programs in compliance with applicable PRC laws and local governmental authorities' requirement upon [REDACTED], these entities must continue to hold the Radio and TV Programs Production and Operation License and/or the TV Series Production License (Type A) and be controlled by the Company through the Contractual Arrangements.

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Categories	Our business/operation
Movie distribution	<p>Shanghai Linmon also engages in movie production, promotion and distribution, and is required to obtain the Film Distribution License (電影發行經營許可證) under applicable PRC laws and regulations. According to the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting such business. Such prohibition was confirmed during the interview with the NFA by our PRC Legal Advisor and the Joint Sponsors’ PRC Legal Advisor in August 2021.</p> <p>As of the Latest Practicable Date, Shanghai Linmon holds the Film Distribution License issued by the NFA. Our PRC Legal Advisor is of the view that (i) the NFA is the competent authority and its officer who attended the interview is a competent person to provide the foregoing confirmation; and (ii) to maintain Shanghai Linmon’s business operation on movie production, promotion and distribution in compliance with applicable PRC laws and governmental authorities’ requirement, Shanghai Linmon must continue to hold the Film Distribution License and be controlled by the Company through the Contractual Arrangements.</p>

As illustrated above, in order to maintain our business operations in compliance with the applicable PRC laws and regulations, the Company, as a foreign investor under the current regulatory regime, has adopted the Contractual Arrangements, which allow the Company to exercise control over the business operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom. For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see “Regulatory Overview.”

Minority Shareholding Investment held by Shanghai Linmon

In addition to the prohibited business of our Company, Shanghai Linmon also directly holds minority shareholding investment in certain entities in the PRC (the “**Relevant Entities**” and each a “**Relevant Entity**”), which engages in businesses subject to foreign investment prohibition under the applicable PRC laws and regulations.

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The table below sets out Shanghai Linmon’s minority shareholding investment in the Relevant Entities and their main businesses as of the Latest Practicable Date:

No.	Name of the Relevant Entity	Interest held by Shanghai Linmon as at the Latest Practicable Date	Principal business pursuant to business license	Whether principal business involves prohibited business under the Negative List
1.	Shanghai Senmeijie Culture Media Co., Ltd. (上海森美介文化傳媒有限公司) (“Shanghai Senmeijie”)	20% equity interest	Radio and TV programs production and operation services	Yes
2.	Beijing Ark Reading Technology Co., Ltd. (北京方舟閱讀科技有限公司) (“Ark Reading”)	20% equity interest	Online literature platform operation (foreign investment prohibited); radio and TV programs production and operation services through its wholly-owned subsidiary (foreign investment prohibited)	Yes
3.	Xiamen Renma Culture Media Co., Ltd. (廈門人馬文化傳媒有限公司) (“Xiamen Renma”)	8% equity interest	Movie production, promotion and distribution	Yes
4.	Dream Chaser Pictures	5% equity interest	Radio and TV programs production and operation services	Yes
5.	Beijing Leyang Film and Television Media Co., Ltd. (北京樂漾影視傳媒有限公司) (“Beijing Leyang”)	2.6087% equity interest	Radio and TV programs production and operation services; film production and distribution	Yes
6.	Beijing Wuyuan Culture Media Co., Ltd. (北京五元文化傳媒有限公司) (“Beijing Wuyuan”)	1.8879% equity interest	Radio and TV programs production and operation services; film distribution	Yes

Compelling reasons to hold investment in Relevant Entities through Shanghai Linmon

Our Company has compelling reasons to hold investment interests in the Relevant Entities through Contractual Arrangements. As advised by our PRC Legal Advisor, these entities engage in businesses which are subject to foreign investment prohibition under the Negative List. Our PRC Legal Advisor has advised that, due to foreign investment prohibition, the direct and indirect shareholders of these Relevant Entities or the target companies in which they invested, as applicable, must be controlled by the PRC nationals or PRC-incorporated corporations. The transfer of our investment interests in such Relevant Entities from Shanghai Linmon to the WFOE would not be in compliance with the relevant PRC laws and regulations on foreign investment prohibition.

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Immateriality to our Company’s financial results and operating status

The Relevant Entities are immaterial to our Group in terms of their contribution to our Company’s financial results and operating status for the following reasons:

- (i) Our Group’s investment in the Relevant Entities does not form part of the principal business of our Group. Shanghai Linmon is only a passive minority investor in each of the Relevant Entities and is not involved in their daily operations and management;
- (ii) Our Company’s interests in the Relevant Entities are accounted for using the equity method accounting or as financial assets at fair value through profit or loss in our Company’s consolidated financial statements. The financial results of the Relevant Entities are not consolidated into our Company’s consolidated financial statements; and
- (iii) The impact of such investments in the Relevant Entities on our Company’s consolidated financial statements is not significant.

Shanghai Linmon recorded a share of profit amounting to RMB2.2 million and a fair value gain amounting to RMB7.4 million from its investments in the Relevant Entities, the net impact of which was RMB9.6 million for the year ended December 31, 2021, accounting for approximately 15.8% of our Group’s net profit for the same year. In addition, the investment amounts in the Relevant Entities accounted for approximately 4.3% of our Group’s total assets as at December 31, 2021. Accordingly, the impact of such investments in the Relevant Entities on our Company’s consolidated financial statements is not significant.

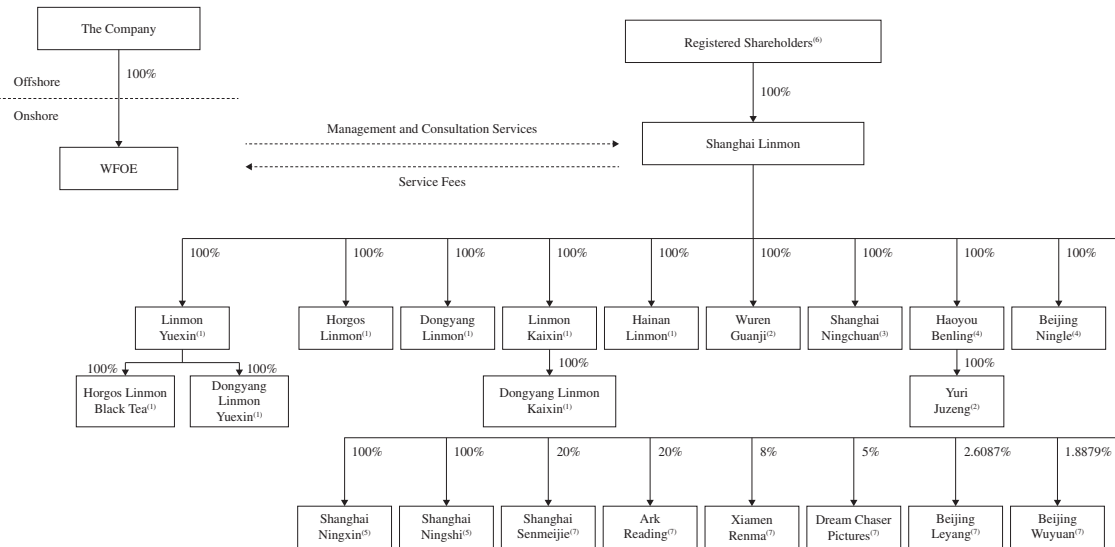
Our Company further undertakes that, in the event that our Company proposes to acquire any business or equity interest in another company involving contractual arrangements, it will only do so in compliance with the Stock Exchange’s Guidance Letter HKEX-GL77-14.

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OUR CONTRACTUAL ARRANGEMENTS

Overview

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements, details of which are set out in the sub-section headed “– Our Contractual Arrangements – Summary of the Material Terms under the Contractual Arrangements” in this section:



Notes:

“→” denotes direct legal and beneficial ownership in the equity interest.

“----->” denotes contractual relationship.

- (1) As of the Latest Practicable Date, each of Linmon Yuexin, Linmon Kaixin, Dongyang Linmon, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon, Horgos Linmon Black Tea and Hainan Linmon holds the Radio and TV Programs Production and Operation License, and is principally engaged in radio and TV programs production, operation and distribution businesses. As such, Linmon Yuexin, Linmon Kaixin, Dongyang Linmon, Dongyang Linmon Kaixin, Dongyang Linmon Yuexin, Horgos Linmon, Horgos Linmon Black Tea and Hainan Linmon must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.
- (2) As of the Latest Practicable Date, Wuren Guanji and Yuri Juzeng hold the Radio and TV Programs Production and Operation License. It is principally engaged in the shooting and production of mini drama series with media star or web celebrity (網絡紅人) as main character, which, according to our PRC Legal Advisor, is subject to foreign investment prohibitions. As such, Wuren Guanji and Yuri Juzeng must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.
- (3) As of the Latest Practicable Date, Shanghai Ningchuan holds the Radio and TV Programs Production and Operation License. It is principally engaged in the shooting and production of (i) product placement advertisements in drama series and (ii) advertisements in the form of mini dramas, which, according to our PRC Legal Advisor, are subject to foreign investment prohibitions. As such, Shanghai Ningchuan must continue to hold the Radio and TV Programs Production and Operation License and be controlled by our Company through the Contractual Arrangements to comply with relevant PRC laws and regulations.

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- (4) Haoyou Benling intends to engage in drama series production businesses, and Beijing Ningle intends to engage in radio and TV programs production, operation and distribution businesses. Each of Haoyou Benling and Beijing Ningle is currently applying for the Radio and TV Programs Production and Operation License. The Company confirms that neither of Haoyou Benling and Beijing Ningle will commence business operation which is subject to the Radio and TV Programs Production and Operation License before such license is obtained from the relevant provincial level radio and television bureaus.
- (5) Shanghai Ningxin and Shanghai Ningshi are the Company’s investment platforms intended for investing in foreign investment restricted or prohibited businesses, e.g. companies engaging in movie, TV programs or drama series production businesses. As such, Shanghai Ningxin and Shanghai Ningshi must be controlled by our Company through the Contractual Arrangements when making such investment to comply with relevant PRC laws and regulations. As of the Latest Practicable Date, Shanghai Ningxin and Shanghai Ningshi did not invest in any companies and has not commenced business operation. The Company confirms that it will not make any investment in businesses which are not subject to foreign investment restriction or prohibition through Shanghai Ningxin or Shanghai Ningshi.
- (6) As of the Latest Practicable Date, the Registered Shareholders include Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou (collectively, the “**Individual Registered Shareholders**”), Shanghai Guan hong, Shanghai Guanhan, Shanghai Guoshi, Shanghai Guoyun and Tencent Investment.

Each of Shanghai Guan hong and Shanghai Guanhan is a limited partnership established under the laws of the PRC as an employee share incentive shareholding platform of Shanghai Linmon prior to the Reorganization. After the Reorganization, the relevant interests of the employees in Shanghai Guan hong and Shanghai Guanhan have been reflected in the Options granted to such employees under the Pre-[REDACTED] Share Option Scheme. As of the Latest Practicable Date, Mr. Zhou acts as the general partner of Shanghai Guan hong. The only limited partner of Shanghai Guan hong is Shanghai Huazhangtai Enterprise Management Consulting Co., Ltd. (上海花章台企業管理諮詢有限公司), a company wholly owned by Mr. Su. As of the Latest Practicable Date, Ms. Chen acts as the general partner of Shanghai Guanhan. The only limited partner of Shanghai Guanhan is Mr. Zhou.

Each of Shanghai Guoshi and Shanghai Guoyun is a limited partnership established under the laws of the PRC as a supplier share incentive shareholding platform of Shanghai Linmon before and after the Reorganization. After the Reorganization, relevant interests of the suppliers in Shanghai Linmon through Shanghai Guoshi and Shanghai Guoyun have been reflected in the shareholding of Lemontree Friendship. As of the Latest Practicable Date, the largest limited partner of Shanghai Guoshi, Ms. Yang Xijuan, holds 37.2000% of its partnership interests, and no other limited partner holds more than 30% of the partnership interests in Shanghai Guoshi. Mr. Su acts as the general partner of Shanghai Guoshi. As of the Latest Practicable Date, the largest limited partner of Shanghai Guoyun, Mr. Zhang Xiaobo, holds 82.0102% of its partnership interests. Ms. Xu acts as the general partner of Shanghai Guoyun.

Shanghai Guan hong, Shanghai Guanhan, Shanghai Guoshi and Shanghai Guoyun (collectively, the “**Limited Partnership Registered Shareholders**”) and the general partners of the Limited Partnership Registered Shareholders have signed the Contractual Arrangements. As advised by our PRC Legal Advisors, based on the Partnership Agreements of each of the Limited Partnership Registered Shareholders and applicable PRC laws and regulations, the limited partners have no right to revoke or invalidate the Contractual Arrangements entered into by the general partners of the Limited Partnership Registered Shareholders.

- (7) Each of the Relevant Entities invests or engages in businesses which are subject to foreign investment prohibition under the Negative List. For details, see “– Minority Shareholding Investment held by Shanghai Linmon”.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Consultation and Service Agreement with the WFOE, which is our indirect

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subsidiary incorporated in the PRC, our Consolidated Affiliated Entities 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.

In addition, our Directors are of the view that our Contractual Arrangements are “narrowly tailored” for the following reasons:

- (i) each segment of the Relevant Businesses belongs to certain business sector that falls within the “prohibited” category under the Negative List, therefore, foreign investment in the Relevant Businesses is strictly forbidden and the Group is required to carry out the Relevant Businesses through the Contractual Arrangements;
- (ii) the relevant licenses, the Film Distribution License and the Radio and TV Programs Production and Operation License (together, the “**Relevant Licenses**”) are required for the businesses that belong to the sector of “film production and distribution companies” or “radio and television program production and operating (including import business) companies”. According to the interviews with the NFA in August 2021 and the NRTA in September 2021, which are the respective competent authorities in charge of applications for the aforementioned licenses, and as confirmed by our PRC Legal Advisor, none of these authorities has accepted any application for the aforementioned licenses made by a wholly-foreign-owned enterprise or a sino-foreign equity joint venture, and we are therefore required to carry out our Relevant Businesses through the Contractual Arrangements; and
- (iii) as for the minority equity interests held by Shanghai Linmon in the Relevant Entities, all the Relevant Entities invest or engage in businesses which are subject to foreign investment prohibition under the Negative List. Our PRC Legal Advisor is of the view that, in order to hold the minority interest in the Relevant Entities in compliance with applicable PRC laws and regulations and local governmental authorities’ requirements, the minority interest in the Relevant Entities must be held by our Company through the Contractual Arrangements. In addition, the minority equity interests in the Relevant Entities are immaterial to our Group in terms of their contribution to our Company’s financial results and operating status.

Our PRC Legal Adviser also advised us that there may be substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

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Summary of the Material Terms under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Consultation and Service Agreement

Pursuant to exclusive consultation and service agreement dated August 31, 2021 between Shanghai Linmon and the WFOE (the "**Exclusive Consultation and Service Agreement**"), Shanghai Linmon agreed to engage the WFOE as its exclusive provider of technical support, consultation and other services, including the following services:

- providing radio and TV program production-related content creation and research services;
- providing pre-job, on-the-job training services for radio and TV program production-related personnel;
- providing technology development and technology transfer services related to radio and TV program production;
- providing public relations services related to radio and television program production;
- providing market research, study and consulting services related to radio and television program production;
- providing market development and market planning services for radio and television program production;
- providing consulting services for the transfer, lease and disposal of equipment and assets; and
- other relevant services reasonably requested by the Consolidated Affiliated Entities from time to time to the extent permitted under PRC laws.

Under the Exclusive Consultation and Service Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, if the WFOE considers the determination mechanism of service fees in operation no longer applicable due to certain reasons, the WFOE may propose in writing to adjust the determination mechanism of service fees, and Shanghai Linmon shall negotiate with the WFOE within 10 working days after the date of the WFOE's written request for

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adjustment of the determination mechanism of service fees. If Shanghai Linmon does not reply within 10 working days after receiving the above adjustment request, Shanghai Linmon shall be deemed to have acquiesced to such adjustment. The WFOE shall calculate the service fees on a quarterly basis.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Consultation and Service Agreement, with respect to the services subject to the Exclusive Consultation and Service Agreement, the Consolidated Affiliated Entities shall not directly or indirectly accept any consultation or services provided by any third party. The WFOE may assign its rights and obligations under the Exclusive Consultation and Service Agreement to a third party as it deems necessary, and the WFOE is only required to notify Shanghai Linmon in writing about such assignment and no approval from Shanghai Linmon is required for such assignment.

The Exclusive Consultation and Service Agreement also provide that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Consultation and Service Agreement.

The validity period of the Exclusive Consultation and Service Agreement shall start from the execution date and it shall remain effective for 10 years unless terminated by the WFOE. Upon expiration, the Exclusive Consultation and Service Agreement shall be automatically extended for 10 years unless the WFOE indicates otherwise.

Exclusive Option Agreement

Pursuant to the exclusive equity transfer option agreement dated August 31, 2021 among Shanghai Linmon, the WFOE and the Registered Shareholders (the "**Exclusive Option Agreement**"), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Shanghai Linmon to the WFOE and/or any third party designated by it, in whole or in part at any time and from time to time. Shanghai Linmon has covenanted that:

- without the prior written consent of the WFOE, it shall not in any manner supplement, change or amend its articles of association, increase or decrease its registered capital, or change the structure of its registered capital in other manner;
- it shall maintain its corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling its affairs;

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- without the prior written consent of the WFOE, it shall not, at any time following the date when the Exclusive Option Agreement came into effect, sell, transfer, pledge or dispose of in any manner any assets, business, legitimate or beneficial interest in the income of Shanghai Linmon, or permit the creation of any other security interest thereon;
- without the prior written consent of the WFOE, it shall not incur, inherit, guarantee or allow any debt to exist, except for payables incurred in the normal or ordinary course of business not generated from loans, and payables already disclosed to and approved by the WFOE in writing;
- it shall always operate all of its businesses during the ordinary course of business to maintain its asset value and refrain from any action/omission that may adversely affect its operating status and asset value;
- without the prior written consent of the WFOE, it shall not execute any material contract with a value of more than RMB1,000,000, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, it shall not provide any person with any loan or guarantee for any third-party debt;
- it shall provide the WFOE with information on its business operations and financial condition at the request of the WFOE;
- without the prior written consent of the WFOE, it shall not cause or permit itself to merge, consolidate with, acquire or invest in any third party;
- it shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue;
- to maintain the ownership by Shanghai Linmon of all of its assets, it 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 defences against all claims;
- without the prior written consent of the WFOE, it shall not in any manner distribute profits or dividends to its shareholders, provided that upon the request of the WFOE, it shall immediately distribute all distributable profits to its shareholders; and
- unless otherwise mandatorily required by PRC laws, it shall not be dissolved or liquidated without prior written consent by the WFOE.

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In addition, the Registered Shareholders have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend its articles of association, increase or decrease its registered capital, or change the structure of its registered capital in other manner;
- without the prior written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Shanghai Linmon, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement;
- they shall procure that the general meeting of shareholders of Shanghai Linmon shall not approve the sell, transfer, pledge or otherwise dispose of its legal or beneficial interest in Shanghai Linmon, or allow the encumbrance thereon of any security interest without the prior written consent of the WFOE, except for the Equity Pledge Agreement;
- they shall procure that the general meeting of shareholders of Shanghai Linmon shall not approve any merger or combination of Shanghai Linmon with, or acquisition of, or investment in any third party without the prior written consent of the WFOE;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to their equity interests in Shanghai Linmon;
- to maintain the ownership of their equity interests in Shanghai Linmon, 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 defences against all claims;
- to appoint any person designated by the WFOE as a director of Shanghai Linmon at the request of the WFOE;
- to unconditionally and immediately transfer their purchased shares to the WFOE or a designated person at any time upon request by the WFOE;
- if the dissolution or liquidation of Shanghai Linmon is required by PRC law, at the request of the WFOE and subject to PRC law, all remaining assets of Shanghai Linmon after deduction of settlement or liquidation expenses, employees' salaries, social insurance premiums, statutory compensation and taxes payable and settlement of other debts will be transferred to the WFOE or any other entity or person designated by the WFOE at the lowest price permitted by PRC law. Upon receipt of the consideration paid by the WFOE and/or any other entity or person designated by

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the WFOE, the shareholders of Shanghai Linmon shall return such consideration to the WFOE or any other entity or person designated by the WFOE in a manner consistent with the PRC laws and regulations;

- to strictly comply with the provisions of the Exclusive Option Agreement and other agreements entered into by the parties jointly or separately, effectively perform all obligations under such agreements and refrain from any act/omission that would affect the validity and enforceability of such agreements. If any of their rights of Shanghai Linmon remain in respect of the equity interest under the Exclusive Option Agreement, such rights shall not be exercised by them unless instructed in writing by the WFOE; and
- they irrevocably undertake that they shall be jointly and severally liable for the obligations under the Exclusive Option Agreement.

The validity period of the Exclusive Option Agreement shall start from the execution date and it shall remain effective for 10 years. Upon expiration, the Exclusive Option Agreement shall be automatically extended for 10 years unless the WFOE indicates otherwise. If the term of operation (including any extensions) of the WFOE or Shanghai Linmon expires during the above term or is otherwise terminated, the Exclusive Option Agreement shall terminate upon such party's termination.

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated August 31, 2021 entered into among the WFOE, Shanghai Linmon and each of the Registered Shareholders (the "**Equity Pledge Agreement**"), the Registered Shareholders agreed to pledge all their respective equity interests in Shanghai Linmon that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations by the pledgor and/or Shanghai Linmon and all compensation liability to the pledgee arising from the invalidation, revocation or termination of the Exclusive Consultation and Service Agreement, the Exclusive Option Agreement and/or the Proxy Agreement.

The pledge in respect of Shanghai Linmon takes effect upon the completion of change of registration with the relevant market regulation administration and shall remain valid (1) until after all the contractual obligations of the Registered Shareholders and Shanghai Linmon under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Shanghai Linmon under the relevant Contractual Arrangements have been fully paid, or (2) until such time as the WFOE and/or the designated person decide to purchase all the equity interests in Shanghai Linmon held by the Registered Shareholders pursuant to Exclusive Option Agreement as permitted under the laws of the PRC, and the equity interests in Shanghai Linmon have been legally transferred to the WFOE and/or the designated person, and the WFOE and/or the designated person can legally engage in the business of Shanghai Linmon, whichever is earlier.

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In the event of default (as defined in the Equity Pledge Agreement), the WFOE shall give a notice of default to the shareholders of Shanghai Linmon upon exercise of the pledge rights. The WFOE may exercise its right to dispose of the pledge at the same time as the notice of default is given or at any time after the notice of default is given. The WFOE shall have the right to sell or otherwise dispose of the pledged shares under the Equity Pledge Agreement in accordance with the legal procedures. If the WFOE decides to exercise the pledge right, the Registered Shareholders of Shanghai Linmon undertake to transfer all their shareholders' rights to the WFOE. In addition, the WFOE has the right to discount all or part of the shares under this agreement in accordance with legal procedures, or to receive priority compensation from the price of auction and sale of the equity interest under the Equity Pledge Agreement.

The equity pledge registrations under the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreement and PRC laws and regulations.

Proxy Agreement

Pursuant to the proxy agreement dated August 31, 2021 entered into among the WFOE, Shanghai Linmon and the Registered Shareholders (collectively, the "**Proxy Agreement**"), pursuant to which, each of the Registered Shareholders irrevocably appointed the persons designated by the WFOE (including but not limited to Directors of the WFOE's parent company, our Company, and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Shanghai Linmon, including without limitation:

- to attend shareholders' meetings of Shanghai Linmon and to execute relevant written resolutions on behalf of such Registered Shareholder;
- to exercise any rights granted to Registered Shareholders pursuant to Shanghai Linmon's articles of association or relevant laws and regulations, including but not limited to the shareholders' voting rights, the right to sell or transfer or pledge or dispose of all or any part of the shareholders' equity interests of Shanghai Linmon, and approve Shanghai Linmon to file the documents with the relevant company registry; and
- to act as the authorized representative of the Registered Shareholders of Shanghai Linmon, designate and appoint the legal representative, chairman, directors, supervisors, general manager and other senior managers of Shanghai Linmon. The Registered Shareholder of Shanghai Linmon further agree that they will replace the designated authorized representative at any time pursuant to the requirement of WFOE.

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Spouse undertakings

The spouse of the Individual Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, the shares of Shanghai Linmon held and to be held by the corresponding Individual Registered Shareholder do not fall within the scope of communal properties, and he or she waives any rights or interests that may be granted to him or her under the applicable laws, and he or she undertakes not to claim such rights or interests.

The spouse of the Individual Registered Shareholders, where applicable, has also consented to the Exclusive Consultation and Service Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Proxy Agreement. 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 relevant Individual Registered Shareholders; and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and the WFOE can still enforce its right under each of the agreements under the Contractual Arrangements (the "**Structured Contracts**") against the Individual Registered Shareholders.

Other key terms thereunder

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 performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission ("**SHIAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisor has advised that the arbitral tribunal may not grant such injunctive relief, nor may 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. Even if the above mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid, and binding on the parties to the agreement under the Contractual Arrangements.

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As a result of the above, in the event that the Consolidated Affiliated Entities or the Registered Shareholders or the other individuals stated above 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. See “Risk Factors – Risks Relating to our Contractual Arrangements.”

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents. In case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the Registered Shareholders under the Contractual Arrangements as a result of their loss of capacity, death, bankruptcy (if applicable), divorce (if applicable), or under other circumstance which would affect their exercise of equity interest in Shanghai Linmon, as if the inheritor was a signing party to such Contractual Arrangements.

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 (if applicable), or divorce (if applicable) of the Registered Shareholders; and (ii) the loss of capacity, death, bankruptcy (if applicable) or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and the WFOE may enforce its rights under the Contractual Arrangements against the successors of such shareholders.

Potential conflict of interest

To ensure our effective control over the Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Option Agreement, the WFOE has the right to require the Registered Shareholders to transfer any or all their equity interests in Shanghai Linmon to the WFOE or its designated third party. Under the Proxy Agreement, each of the Registered Shareholders appointed the persons designated by the WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests) as their attorney-in-fact to exercise its rights in respect of its equity interests in Shanghai Linmon. Furthermore, under the Spouse Undertakings, spouses of the Individual Registered Shareholders undertook that (i) any equity interests of their spouses in Shanghai Linmon do not fall within the scope of their community properties and he or she will not claim any Individual Registered Shareholders’ equity interests and corresponding assets in Shanghai Linmon; (ii) he or she will sign all necessary documents and take all necessary acts to ensure

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the proper performance of the Contractual Arrangements; (iii) any rights attached to the shares of Shanghai Linmon (including but not limited to inheritance rights, income rights, disposal rights, voting rights, share transfer rights, share pledge rights, etc.) is not inheritable property of the Individual Registered Shareholders of Shanghai Linmon and their spouses; (iv) in the event that he or she obtains any equity interests in Shanghai Linmon from his or her spouse, such equity interests shall be pledged, sold or disposed of in the manner specified by Shanghai Linmon in accordance with the Contractual Arrangements, and he or she shall comply with the obligations of his or her spouse as a shareholder of Shanghai Linmon under the Contractual Arrangements; and (v) the expiration or unenforceability of the above undertakings do not affect the validity of the Contractual Arrangements. Based on the foregoing, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

Loss sharing

Under the relevant PRC laws and regulations, none of our Group and the WFOE is expressly legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group mainly conducts its business operations in the PRC through the Consolidated Affiliated Entities, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of the WFOE, Shanghai Linmon shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of their assets; (ii) execute any material contract with a value of more than RMB1,000,000, except those entered into in the ordinary course of business; (iii) provide any person with any loan or guarantee for any third-party debt; (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; (vi) increase or decrease its registered capital, or alter the structure of its registered capital in any other manner, or amend its articles of association, (vii) conduct any act or act of omission that may adversely affect its operating status or value of assets, (viii) distribute any profits or dividends to the Registered Shareholders, or (ix) liquidate or dissolve. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

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Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, at the request of the WFOE and subject to the PRC law, all remaining assets of Shanghai Linmon after deduction of settlement or liquidation expenses, employees' salaries, social insurance premiums, statutory compensation and taxes payable and settlement of other debts will be transferred to the WFOE or any other entity or person designated by the WFOE at the lowest price permitted by PRC law. Upon receipt of the consideration paid by the WFOE and/or any other entity or person designated by the WFOE, the shareholders of Shanghai Linmon shall return such consideration to the WFOE or any other entity or person designated by the WFOE in a manner consistent with the PRC laws and regulations.

Insurance

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

Company's confirmation

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governmental authorities in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

Circumstances under which we will adjust or unwind the Contractual Arrangements

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the Relevant Licenses made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are designed to minimize the potential conflict with relevant PRC laws and regulations and that upon the execution of the Contractual Arrangements:

- (a) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements and each of the Structured Contracts is binding on the parties thereto;

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- (b) pursuant to Articles 146, 153 and 154 of the PRC Civil Code, a contract is void if the civil juristic act: (i) is performed by a person and another person based on a false expression of intent; (ii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iii) offends the public order or good morals; or (iv) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person. The execution and performance of the Contractual Arrangements does not fall within any of the circumstances under which a contract may become null and void pursuant to the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or the WFOE;
- (d) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
 - a. the exercise of the option by our WFOE or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Shanghai Linmon is subject to the approvals of filing with and/or registrations with the PRC governmental authorities;
 - b. any share pledge contemplated under the Equity Pledge Agreement are subject to the registration with competent local administration bureau for market regulation; and
 - c. the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and
- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provision regarding dispute resolution: the Contractual Arrangements provide that any dispute shall be submitted to the SHIAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of the PRC (being the place of incorporation of our Consolidated Affiliated Entities), Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of our Consolidated Affiliated Entities are located for interim

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remedies or injunctive relief. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

Notwithstanding the foregoing, the respective representatives of our PRC Legal Advisor and the Joint Sponsors' PRC Legal Advisor consulted with an officer at the TV drama department of the NRTA and an officer at the marketing department of the NFA, in September and August 2021, respectively. During the consultations, the above governmental authorities confirmed that the Contractual Arrangements would not be challenged or subject to penalty by the relevant authorities for violation of any PRC laws or regulations. Our PRC Legal Advisor also advised us that (i) both the NRTA and the NFA are competent government authorities for the Company's Relevant Businesses and are competent to interpret the relevant PRC laws, regulations and rules for the industry in which our Company operates the Relevant Businesses and make the abovementioned oral confirmations; (ii) each of the officers from the NRTA and the NFA were competent persons to provide the foregoing confirmations respectively; and (iii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. Our PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach of the relevant laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of Consolidated Affiliated Entities

Under the Exclusive Consultation and Service Agreement, it was agreed that, in consideration of the services provided by the WFOE, Shanghai Linmon shall pay service fees to the WFOE. The service fees shall equal to approximately 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

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

As a result of the Contractual Arrangements among our WFOE, Shanghai Linmon and the Registered Shareholders, our WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled

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structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountant’s Report set out in Appendix I.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “FIL Implementing Regulations”), which took effect on January 1, 2020. For details of the FIL and the FIL Implementing Regulations, see “Regulatory Overview – Regulations in Relation to Foreign Investment.”

Impact and consequences of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People’s Republic of China (《中華人民共和國外國投資法(草案徵求意見稿)》) published in January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Notwithstanding the above, the FIL stipulates that foreign investment includes “investment by foreign investors through such other methods under laws, administrative regulations or provisions prescribed by the State Council.” There is the possibility 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 our Contractual Arrangements would be deemed in violation of foreign investment laws and regulations and how our Contractual Arrangements would then be handled by relevant PRC authorities. Therefore, there is no guarantee that our 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 Relating to our Contractual Arrangements” for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to seek compliance with the FIL.

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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:

- (1) 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;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (4) 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 and review the legal compliance of our WFOE and Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.