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BACKGROUND

We currently operate our online recruitment platform and our documentary and video production business (the “**Relevant Businesses**”) through our Consolidated Affiliated Entities in the PRC as the PRC laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership in the Relevant Businesses. Currently, the PRC laws restrict foreign ownership of value-added telecommunications service providers and prohibit foreign investment in an enterprise conducting radio and television program production and operation business.

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

Beijing Huapin Borui executed a set of agreements constituting the Contractual Arrangements on September 30, 2022, pursuant to which it agreed to be bound by the terms and conditions of the Contractual Arrangements.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT BUSINESSES

Foreign investment activities in the PRC are mainly governed by the Negative List and the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (the “**Encouraging Catalogue**”), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalogue divide industries into “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encourage”, “restricted” and “prohibited” categories).

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A summary of our businesses that are subject to foreign investment restriction or prohibition are set out below:

Prohibited business *Documentary and video production business*

Beijing Huapin Borui engages in the production of documentaries in relation to workplace and job-hunting skills. Beijing Huapin Borui also creates and publishes video contents related to job-hunting through the official website of the Company and mobile applications operated by itself. Our documentary and video production business falls within the scope of “radio and television program production and operation business” (廣播電視節目製作經營業務), which requires us to obtain a radio and television production operation license (廣播電視節目製作經營許可證). Beijing Huapin Borui has obtained a radio and television production operation license for production and operation of radio and television programs as of the Latest Practicable Date. Pursuant to the Negative List, radio and television program production and operation business falls within the “prohibited” category, and foreign investors are prohibited from holding equity interest in an enterprise engaging in radio and television program production and operation business.

The Company, together with our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted a consultation with an officer of the Policy and Regulation Division of Beijing Municipal Radio and Television Bureau in July 2022, which is a competent authority as advised by our PRC Legal Adviser to confirm the matters relating to the Contractual Arrangements and our radio and television production operation license. We were advised that foreign investors are prohibited to invest in enterprises conducting radio and television program production and operation business in the PRC. In addition, Beijing Municipal Radio and Television Bureau had no objection to the Contractual Arrangements of the Company.

Restricted Business *Online recruitment platform business*

Our online recruitment platform business constitute value-added telecommunication services. Pursuant to the Negative List, provision of value-added telecommunications services falls within the ‘restricted’ category. As such, the ultimate shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%. See “Regulations—Regulation on Foreign Investment” for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

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Our online recruitment platform provides recruitment and job-seeking information for a fee. Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), a provider of 'operational internet information services' (namely services involving the provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP license. In addition, pursuant to the Administration of Online Recruitment Services (《網絡招聘服務管理規定》), a for-profit human resource service provider providing online recruitment services, where the operation of a telecommunications business is involved, shall obtain a telecommunications business permit in accordance with the law.

We provide contents, information and services, including recruitment and job-seeking information, through our online recruitment platform for a fee for the users, which constitutes the operation of internet information services and requires us to obtain the ICP license. Our online recruitment service which constitutes human resources services is an integral part of our provision of internet information services via our online recruitment platform and is fully integrated into and cannot be delineated from the business of providing internet information services under an ICP licence. The provision of value-added telecommunication services is subject to foreign ownership restrictions. Therefore, our internet information services are conducted by, and the ICP license is held by Beijing Huapin Borui.

The Company, together with our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors, conducted a consultation with an officer of the Institute of Industry and Planning of the China Academy of Information and Communications Technology (中國信息通信研究院產業與規劃研究所) in July 2022. We were advised that:

- (i) the China Academy of Information and Communications Technology, or CAICT, is responsible for accepting applications and preliminary examination for telecommunication business license and the Institute of Industry and Planning of CAICT provides research support for the MIIT on industry policy and development plan, and consultation services relating to the interpretation of rules and regulations governing telecommunications services, including, among other things, consultation on the issue of the telecommunication business licenses;

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- (ii) Beijing Huapin Borui provides value-added telecommunications services with the ICP license for information service business (internet information service only), but foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including internet information services;
- (iii) when the MIIT is examining and approving the applications of the value-added telecommunications licenses of foreign-invested companies, the compliance with foreign investment restrictions on the applicant’s businesses would be comprehensively considered. If a company is engaged in a business prohibited from foreign investment, it will be difficult for it to obtain a value-added telecommunication service license as a foreign-invested company; and
- (iv) entering into the Contractual Arrangements is not subject to approval or regulation from the MIIT.

On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations, or the Decision, which came into effect on May 1, 2022. According to the Decision, the requirement of good track record and operational experience of the primary foreign investor in a foreign-invested value-added telecommunications enterprise, as stipulated in the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), was canceled. As advised by our PRC Legal Adviser, Tian Yuan Law Firm, such regulatory development does not invalidate our ICP licenses or require us to modify our Contractual Arrangements according to PRC laws and regulations. As of the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of our ICP license or our Contractual Arrangements as a whole. In addition, as advised by our PRC Legal Adviser, as the Decision only became effective on May 1, 2022, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements, including reorganizing our corporate structure, if required in the future. See “Risk Factors—Risks Related to Our Business and Industry—Our business is subject to the complex and evolving laws and regulations in China. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.”

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Beijing Huapin Borui operates a mixture of prohibited and restricted businesses. In particular, Beijing Huapin Borui (1) produces and operates radio and television programs to promote our brand image and to acquire users for our online recruitment platform and (2) provides recruitment and job-seeking information to our users on our online recruitment platform for a fee, which helps recruiters and job-seekers easily establish connections. They (a) fall within the scope of radio and television program production and operation business and requires a radio and television production operation license to operate (which is a “prohibited business”); and (b) are fully integrated into and cannot be delineated from the business of providing internet information services under an ICP licence (which is a “restricted business”). Since the production of documentaries and videos concerning workplace and job-hunting skills is an important method for our online recruitment platform to boost user activity and enhance user stickiness, which can effectively help our online recruitment platform to provide internet information services, it is an inseparable part of the internet information services provided by our online recruitment platform.

Based on the above, we believe that to maintain the business operations and effectiveness of the licences and permits held by Beijing Huapin Borui, this company must be controlled by the Company through the Contractual Arrangements. Furthermore, since Beijing Huapin Borui operates both “prohibited business” and “restricted businesses” under the Negative List, we are unable to set up any alternative structure that would allow us to partially hold equity interests in and control the economic benefits of Beijing Huapin Borui other than through the Contractual Arrangements. In particular, the businesses carried on by Beijing Huapin Borui that require an ICP licence cannot be separated from the businesses that require a radio and television production operation Licence.

Based on the above reasons, we are of the view that the Contractual Arrangements are narrowly tailored.

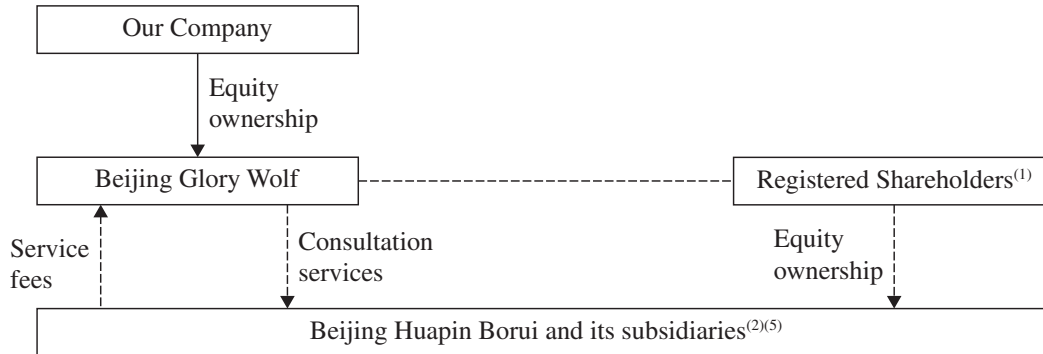
Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Businesses, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC laws if the relevant government authority grants relevant licenses to the foreign-invested entities currently held and to be established by our Company. In this event Beijing Glory Wolf will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the Relevant Businesses without using the Contractual Arrangements.

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



Notes:

- (1) Beijing Huapin Borui is held as to 99.5% and 0.5% by Mr. Zhao and Ms. Xu Yue, our Company’s Financial Director (the “**Registered Shareholders**”), respectively.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (3) “- ->” denotes contractual relationship.
- (4) “—”denotes the control by Beijing Glory Wolf over the Registered Shareholders and the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in the Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in the Consolidated Affiliated Entities.
- (5) The subsidiaries have not yet commenced or are not expected to have commenced any substantive business operations by the time of [REDACTED]. The Company will not conduct any businesses that are not subject to foreign investment restrictions or prohibitions through these entities, or it will only conduct such businesses that are subject to foreign investment restrictions or prohibitions after obtaining the relevant licenses. The Company will monitor the business developments of these subsidiaries of Beijing Huapin Borui to ensure that the Contractual Arrangements remain narrowly tailored upon [REDACTED].

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Summary of the material terms of the Contractual Arrangements

Exclusive Technology and Service Co-operation Agreement

Beijing Glory Wolf, Beijing Huapin Borui and the Registered Shareholders entered into an exclusive technology and service co-operation agreement on September 30, 2022 (the “**Exclusive Technology and Service Co-operation Agreement**”), pursuant to which Beijing Huapin Borui agreed to engage Beijing Glory Wolf as the exclusive provider to Beijing Huapin Borui of management consultancy, technical services, and other services which may include:

- (i) provision of advices on business management;
- (ii) provision of advices on IT system and other technical support;
- (iii) provision of business support, marketing and promotion;
- (iv) provision of development, maintenance and upgrade of software;
- (v) provision of human resources support;
- (vi) provision of leasing services to equipment; and
- (vii) other services requested from time to time.

Without Beijing Glory Wolf’s prior written consent, Beijing Huapin Borui shall not, and shall procure its subsidiaries not to, receive services which are identical or similar to the services covered by the Exclusive Technology and Service Co-operation Agreement from any third party (as defined in the Exclusive Technology and Service Co-operation Agreement).

In consideration of the services provided by Beijing Glory Wolf, Beijing Huapin Borui shall pay service fee to Beijing Glory Wolf. Pursuant to the Exclusive Technology and Service Co-operation Agreement, the service fees shall be equivalent to the total consolidated profit of Beijing Huapin Borui and its subsidiaries, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Beijing Glory Wolf shall have the right to adjust the level of the service fees by taking into account such factors as (a) the complexity and difficulty of the services involved, (b) the time taken for the services, (c) the scope of management and technical consulting and other services and their commercial value, (d) the scope of intellectual property licensing and leasing services and their commercial value, and (e) the market reference price for services of similar kinds. Beijing Huapin Borui shall pay the service fees to Beijing Glory Wolf within 30 business days after given payment instructions by Beijing Glory Wolf.

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Beijing Glory Wolf has the exclusive and proprietary rights and interest to all intellectual properties, in irrespective of being developed by Beijing Huapin Borui or by Beijing Glory Wolf. Without the prior written consent of Beijing Glory Wolf, Beijing Huapin Borui shall not, and shall procure its subsidiaries not to, transfer, assign, pledge, or by any other means dispose of any of such intellectual properties.

The Exclusive Technology and Service Co-operation Agreement shall remain effective until, among others, the date on which Beijing Glory Wolf or the party designated by Beijing Glory Wolf is formally registered as the shareholder of Beijing Huapin Borui, in the case where Beijing Glory Wolf is permitted by the PRC laws to directly hold the shares of Beijing Huapin Borui and Beijing Glory Wolf and its subsidiaries and affiliates are allowed to engage in the Relevant Businesses being currently operated by Beijing Huapin Borui.

Exclusive Purchase Option Agreement

Beijing Glory Wolf, the Registered Shareholders and Beijing Huapin Borui entered into an exclusive purchase option agreement on September 30, 2022 (the “**Exclusive Purchase Option Agreement**”), pursuant to which Beijing Glory Wolf, or its offshore parent company or its directly or indirectly owned subsidiaries was granted an irrevocable and exclusive right by the Registered Shareholders to purchase from each of the Registered Shareholders all or any part of their respective equity interest in Beijing Huapin Borui.

Beijing Huapin Borui and the Registered Shareholders irrevocably covenanted that unless with prior written consent by Beijing Glory Wolf, Beijing Huapin Borui shall not sell, transfer, pledge, or otherwise dispose all or any part of its assets, and the Registered Shareholders shall not sell, transfer, pledge, or otherwise dispose all or any part of its equity interest in Beijing Huapin Borui, other than the creation of the pledge of Beijing Huapin Borui’s equity interest pursuant to the Contractual Arrangements.

The purchase price payable by Beijing Glory Wolf or its designee in respect of the transfer of the entire equity interest and/or the total assets of Beijing Huapin Borui shall be the nominal price, or the minimum price required by competent PRC authorities or PRC laws. However, in any event, subject to the provisions and requirements of PRC laws, the price paid by Beijing Glory Wolf and/or its designee to Beijing Huapin Borui and/or Registered Shareholders at any such price shall be returned by Beijing Huapin Borui and/or Registered Shareholders to Beijing Glory Wolf at the time and in the form requested by Beijing Glory Wolf.

The Exclusive Purchase Option Agreement shall remain effective for ten years with Beijing Glory Wolf having the option to renew it until all the equity interest in and/or all assets of Beijing Huapin Borui has been transferred to Beijing Glory Wolf and/or its designee (registration has been completed for the change of members) and Beijing Glory Wolf and its subsidiaries and branches can legally engage in the business of Beijing Huapin Borui.

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Beijing Huapin Borui and the Registered Shareholders, among other things, have covenanted that:

- (i) without the prior written consent of Beijing Glory Wolf, they shall not supplement, alter or modify the articles of association of Beijing Huapin Borui, or change its registered capital or capital structure in any way;
- (ii) they shall maintain Beijing Huapin Borui's corporate existence and conduct its business and affairs prudently and efficiently;
- (iii) without the prior written consent of Beijing Glory Wolf, Beijing Huapin Borui will not sell, transfer, pledge or otherwise dispose of any of its assets (except for what is required for daily business operations), business or revenue;
- (iv) without the prior written consent of Beijing Glory Wolf, Beijing Huapin Borui will not incur, inherit, guarantee or permit any debt except for:
 - a. debts arising in the ordinary or usual course of business other than by means of loans; and
 - b. debts that have been disclosed to and agreed in writing by Beijing Glory Wolf.
- (v) they shall maintain the ordinary business operations of Beijing Huapin Borui so as to maintain the value of Beijing Huapin Borui's assets, and shall not perform any act/omission which would be sufficient to affect its business condition and the value of its assets;
- (vi) without the prior written consent of Beijing Glory Wolf, Beijing Huapin Borui shall not enter into any material contract other than contracts entered into in the ordinary and normal course of business and contracts entered into by Beijing Huapin Borui and Beijing Glory Wolf's overseas parent company and/or the subsidiaries directly or indirectly controlled by such parent company;
- (vii) without the prior written consent of Beijing Glory Wolf, Beijing Huapin Borui shall not provide any loan or security to any person;
- (viii) upon the request of Beijing Glory Wolf, Beijing Huapin Borui will provide to Beijing Glory Wolf all the information concerning its operating and financial status;
- (ix) without the prior written consent of Beijing Glory Wolf, they shall not procure or consent Beijing Huapin Borui to merge or form a joint venture with any entities, or acquire or make investment in any entity;
- (x) they shall immediately notify Beijing Glory Wolf and take all necessary actions pursuant to the reasonable requirements of Beijing Glory Wolf when there is any litigation, arbitration or administrative proceedings that would occur or might occur in connection with Beijing Huapin Borui's assets, business and revenue;

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- (xi) to protect Beijing Huapin Borui's ownership of all its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or take necessary and appropriate defense against all claims;
- (xii) without the prior written consent of Beijing Glory Wolf, Beijing Huapin Borui shall not distribute dividends in any form to its shareholders, but shall, upon the request of Beijing Glory Wolf, immediately distribute all distributable profits to its respective shareholders; and
- (xiii) Beijing Huapin Borui shall, upon the request of Beijing Glory Wolf, appoint or terminate the appointment of any person designated by Beijing Glory Wolf to act as a director of Beijing Huapin Borui.

The Registered Shareholders, among other things, have further covenanted that:

- (i) without the prior written consent of Beijing Glory Wolf, they shall not sell, transfer, pledge or dispose legal or beneficial interest in Beijing Huapin Borui, or impose any encumbrances on such rights and interests, other than the creation of the pledge of Beijing Huapin Borui's equity interest pursuant to the Contractual Arrangements;
- (ii) shall not engage in any business operation or conduct in any manner which may impose an adverse impact on the reputation of Beijing Huapin Borui;
- (iii) without Beijing Glory Wolf's prior written consent, they shall procure board of directors and/or shareholders' meetings of Beijing Huapin Borui not to approve the sale, transfer, pledge, or disposal of legal or beneficial interest of any equity interest or assets, or allow creation of any encumbrances thereon, other than the creation of the pledge of Beijing Huapin Borui's shares pursuant to the Contractual Arrangements;
- (iv) without Beijing Glory Wolf's prior written consent, they shall procure board of directors and/or shareholders' meetings of Beijing Huapin Borui to approve a merger, or consolidation, or acquisition in any person, or divestment of Beijing Huapin Borui, revision of its articles of associations, or change in registered capital or its corporate status;
- (v) the Registered Shareholders shall not instruct Beijing Huapin Borui to pay any dividends or bonus or to convene a shareholders' meeting in relation thereto, or to vote in favour of such matter at such meeting; and
- (vi) they shall abide strictly by the Contractual Arrangements, perform the obligations under such agreements effectively, and not take any actions or omissions which may adversely affect the validity and enforceability of such agreements.

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Equity Pledge Agreement

Beijing Glory Wolf, the Registered Shareholders and Beijing Huapin Borui entered into an equity pledge agreement on September 30, 2022 (the “**Equity Pledge Agreement**”), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Beijing Huapin Borui to Beijing Glory Wolf as a security interest to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Among other things, the Registered Shareholders have undertaken that without Beijing Glory Wolf’s prior written consent, they shall not directly or indirectly transfer the equity interests in any way, create or permit the existence of any pledge or other form of security which might affect the rights and interests of the Beijing Glory Wolf, other than the transfer of such equity interests to Beijing Glory Wolf or its designee pursuant to the Exclusive Purchase Option Agreement.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), Beijing Glory Wolf may, at any time thereafter, serve a default notice to the Registered Shareholders, upon which Beijing Glory Wolf may (1) demand all the outstanding payment due according to the Exclusive Technology and Service Co-operation Agreement, and/or (2) exercise its right of pledge according to the Equity Pledge Agreement, or otherwise dispose of the pledged equity interest in accordance with applicable Laws, unless the event of default has been resolved in the satisfactory of Beijing Glory Wolf within 30 days after the default notice has been served. Beijing Glory Wolf may exercise such right of pledge based on its own independent judgement. The Registered Shareholders and Beijing Huapin Borui have covenanted to unconditionally collaborate with Beijing Glory Wolf when Beijing Glory Wolf exercises such right of pledge. Beijing Glory Wolf shall bear no responsibilities for any direct or indirect loss incurred consequent upon its exercise of such right of pledge.

The Equity Pledge Agreement shall remain effective until, among others, Beijing Huapin Borui and the Registered Shareholders have recorded the release of such pledged equity interests in the register of members of Beijing Huapin Borui and completed relevant deregistration procedure.

Other aspects of the Contractual Arrangements

Spousal consent

Each of the spouses of Mr. Zhao and Ms. Yue signed a spousal consent letter, pursuant to which the signing spouse unconditionally and irrevocably consents to the execution of the Exclusive Technology and Service Co-operation Agreement, the Equity Pledge Agreement, the Exclusive Purchase Option Agreement, and the Power of Attorney executed by Mr. Zhao or Ms. Yue (as the case may be) (the “**Transaction Documents**”) and to the disposal in accordance therewith of the equity interest in Beijing Huapin Borui held by Mr. Zhao or Ms. Yue (as the case may be). Each of the spouses also undertook (1) not to make any claim with respect to the

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relevant equity interest in Beijing Huapin Borui; (2) to execute all documents and take all actions necessary to ensure that the Transaction Documents (as amended from time to time) are properly performed; and (3) if for any reason the spouses acquire any of the equity held by the Registered Shareholder in Beijing Huapin Borui, to be bound by the Transaction Documents and execute any required written documents for such purpose.

Powers of Attorney

Pursuant to the proxy agreement entered into by Beijing Huapin Borui, the Registered Shareholders and Beijing Glory Wolf (the "**Powers of Attorney**"), each of the Registered Shareholders unconditionally and irrevocably agrees to appoint Beijing Glory Wolf and/or its designee as their sole and exclusive agent to act on their behalf on all matters concerning Beijing Huapin Borui and to exercise all of their rights as shareholder of Beijing Huapin Borui, including but not limited to: (1) to propose, convene and attend shareholders' meetings of Beijing Huapin Borui and sign minutes and resolutions of the shareholders' meeting on their behalf; (2) to exercise all shareholder rights that they are entitled to under PRC laws and the articles of association of Beijing Huapin Borui, including, but not limited to, the right to vote as a shareholder, and the right to sell or transfer or pledge or dispose of all or any part of their shareholding; and (3) acting as their authorized representative to elect, designate and appoint the legal representative, chairman, directors, supervisors, general manager and other senior executives of Beijing Huapin Borui.

Dispute resolution

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

- (a) all disputes shall first be settled through friendly negotiation;
- (b) if such dispute fails to be resolved by negotiations within thirty days, any party shall have the right to submit the disputes to the China International Economic and Trade Arbitration Commission, or the CIETAC, and such dispute shall be arbitrated in Chinese language in accordance with the then prevailing arbitration rules in Beijing, with such arbitration award final and binding on all parties to the arbitration;
- (c) prior to the final award, the arbitration institution shall have the right to grant Beijing Glory Wolf with appropriate legal remedies, including relevant remedial measures regarding the equity interests or assets or property rights of Beijing Huapin Borui, remedial injunctions, and dissolution or liquidation of Beijing Huapin Borui; and
- (d) subject to, and in compliance with, PRC laws, competent courts (including the courts of China, Hong Kong, the Cayman Islands and the place where Beijing Glory Wolf's affiliated and listed or to be listed companies are incorporated, Beijing Huapin Borui is incorporated or the principal assets of Beijing Huapin Borui or Beijing Glory Wolf are located) have the power to grant interim remedies before the formation of the arbitral tribunal or in appropriate cases to support arbitration.

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Our PRC Legal Adviser has, however, advised that: (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of the Consolidated Affiliated Entities under PRC laws; (ii) 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; and (iii) even if the abovementioned 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.

As a result of the above, in the event that any of our Consolidated Affiliated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk factors—Risks Relating to Our Corporate Structure” for details.

Succession

Each of the agreements under the Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the Civil Code of the PRC (《中華人民共和國民法典》), or the Civil Code, the statutory successors include one’s spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, Beijing Glory Wolf can enforce its rights against the successors.

The Exclusive Purchase Option Agreement, Equity Pledge Agreement and Powers of Attorney state that the relevant agreement shall be binding upon the Registered Shareholders and their successors.

Under the spousal consent, the spouse has confirmed that if for any reason the spouse acquires any equity interest in Beijing Huapin Borui held by the Registered Shareholder, the spouse shall be bound by the Contractual Arrangements where the Registered Shareholder is a party and execute any required written documents for such purpose.

Based on the above, our PRC Legal Adviser has advised that: (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Beijing Glory Wolf can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

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Conflicts of interest

Although only one of the Registered Shareholders (namely Mr. Zhao) is also our director and officer, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the irrevocable Powers of Attorney, the Registered Shareholders appointed Beijing Glory Wolf as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of Beijing Huapin Borui requiring approval under its articles of association and under the relevant PRC laws.

Loss sharing

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

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

Liquidation

Pursuant to the Power of Attorney, the Registered Shareholders have undertaken that Beijing Glory Wolf or its designee are entitled to exercise voting rights and distribute the remaining assets in the event of a dissolution or liquidation of Beijing Huapin Borui. Pursuant to the Exclusive Purchase Option Agreement, in the event of a dissolution or liquidation, all of the remaining assets of Beijing Huapin Borui shall be transferred to Beijing Glory Wolf after such dissolution or liquidation pursuant to PRC laws.

Insurance

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

Our confirmation

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

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

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

1. the contents of each of the Contractual Arrangements do not violate the mandatory provisions of current PRC laws and are valid and binding on the parties thereto, enforceable under applicable PRC laws and regulations, except in the following cases: (a) the arbitration awards as rendered by the arbitration body in its discretion which request the bankruptcy and liquidation of Beijing Huapin Borui, and the injunctive relief and other temporary relief measures made by Hong Kong and Cayman Island courts under the Contractual Arrangements may not be legally and effectively enforced under the current PRC laws; (b) the equity pledge shall become legally effective after the completion of equity pledge registration procedures by the SAMR; or (c) the arbitration award under Contractual Arrangements as rendered by CIETAC may only be enforced after a ruling by a PRC people's court which agrees to such enforcement;
2. parties to each of the agreements under the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder, and none of the agreements would fall within the circumstances that violate the mandatory provisions under the PRC laws, which would lead the agreement under the Contractual Arrangements to be deemed invalid under the Civil Code;
3. the execution and performance under the agreements under the Contractual Arrangements do not violate the provisions of the articles of association of Beijing Glory Wolf and Beijing Huapin Borui; and
4. the execution and performance of the Contractual Arrangements does not require any approvals or authorisations from PRC governmental authorities, except that:
 - (a) the pledge of any equity interest in Beijing Huapin Borui in favour of Beijing Glory Wolf is subject to registration requirements with the relevant administration for market regulation, which was completed on March 27, 2020;
 - (b) the disposal of any equity pledge under the Equity Pledge Agreements is subject to the approvals and/or registration with the PRC regulatory authorities;
 - (c) the exercise by Beijing Glory Wolf of its option rights under the Exclusive Purchase Option Agreement to acquire all or part of the equity interests in Beijing Huapin Borui is subject to the approval of, consent of, filing with and/or registration with PRC governmental authorities;

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- (d) the transfer of the equity interest in Beijing Huapin Borui contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;
- (e) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and
- (f) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of Beijing Huapin Borui as interim remedies.

However, as advised by our PRC Legal Adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations over the validity of the Contractual Arrangements and necessity of obtaining any approvals, consent, registration and filing with respect to the Contractual Arrangements. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take a view that is contrary to the opinions of our PRC Legal Adviser. For further information, please refer to the section headed “Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC laws and regulations relating to the relevant industries, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” in this document.

Based on all of the above, our Directors are of the view that (i) the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Company to control our Consolidated Affiliated Entities that engage in the operation of Relevant Businesses where PRC laws restrict foreign ownership; and (ii) the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant clauses as described in the paragraph headed “Dispute Resolution” in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Technology and Service Co-operation Agreement, it was agreed that, in consideration of the services provided by Beijing Glory Wolf, Beijing Huapin Borui will pay technology development, consulting and service fees to Beijing Glory Wolf. The fees, subject to verification and negotiation between the parties, are in principle equal to the balance of Beijing Huapin Borui’s total revenue less the total expenses. The fees shall be approved by the boards of directors of Beijing Glory Wolf and the Company, and any adjustment and change to the fees shall be subject to the approval of the same. Within thirty days after the end of each year, Beijing Huapin Borui is required to provide Beijing Glory Wolf with the financial statements and all business records, business contracts and financial information for such year.

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If Beijing Glory Wolf has any queries on the financial information provided, it may appoint a reputable independent accountant to audit the relevant information, while Beijing Huapin Borui shall cooperate with such audit. Accordingly, Beijing Glory Wolf has the ability, at its sole discretion, to extract all of the economic benefit of Beijing Huapin Borui and its subsidiaries through the Exclusive Technology and Service Co-operation Agreement.

In addition, under the Exclusive Purchase Option Agreement, Beijing Glory Wolf has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as Beijing Glory Wolf’s or the Company’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 our Consolidated Affiliated Entities through Beijing Glory Wolf and, at our Company’s sole discretion, can receive substantially all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 1 to the Accountant’s Report in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal Advisers or other professional Advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing Glory Wolf and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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The Company also undertakes to restructure its Contractual Arrangements, including to adjust the equity interest held through its Contractual Arrangements when required by the relevant governmental authority, to comply with the latest PRC regulations, including the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations, which came into effect on May 1, 2022.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

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

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of the Consolidated Affiliated Entities, by WFOE, through which we operate our business in the PRC. The Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and Relevant Businesses will not be materially and adversely affected in the future due to changes in PRC laws. See “Risk factors—Risks Relating to Our Corporate Structure—Our current corporate structure and business operations may be substantially affected by the newly enacted Foreign Investment Law.”