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## CONTRACTUAL ARRANGEMENTS

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### BACKGROUND

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

The agreements underlying the Contractual Arrangements provide a mechanism through which: (i) economic benefits of the Consolidated Affiliated Entities are able to be transferred to us through the Exclusive Consulting and Service Agreement; and (ii) we are able to control the Consolidated Affiliated Entities through the Exclusive Purchase Option Agreement, the Equity Pledge Agreement, and the Voting Right Trust Agreement. Pursuant to the Contractual Arrangements, all substantial and material business decisions of the Consolidated Affiliated Entities will be instructed and supervised by our Group through Shanghai Jiuwu Yisheng, our wholly foreign owned enterprise (the “**WFOE**”), and all risks arising from the businesses of the Consolidated Affiliated Entities are also effectively borne by our Group. Accordingly, our Directors consider that it is fair and reasonable for the WFOE to be entitled to all economic benefits generated by the business operated by the Consolidated Affiliated Entities through the Contractual Arrangements as a whole.

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### PRC LAWS RELATING TO FOREIGN INVESTMENT RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “**Negative List**”), which was promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. Negative List sets forth the industries in which foreign investment is restricted or prohibited. A summary of our businesses that are subject to foreign investment restriction or prohibition in accordance with the Negative List and other applicable PRC laws and regulations is set forth below.

<u>Categories</u>	<u>Relevant Businesses</u>
<b>Prohibited Business</b>	<b><i>Radio and television program production</i></b>

Our Relevant Businesses involve video and audio content operation and production, which 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) under the Regulations on the Administration of Production of Radio and Television Programs (《廣播電視節目製作經營管理規定》, the “**Radio and Television Programs Regulations**”). Under the Radio and Television Programs Regulations, any entity that engages in the production of radio and television programs is required to apply for a Radio and Television Production Operation License (《廣播電視節目製作經營許可證》) (the “**RTPO License**”). Each of the Consolidated Affiliated Entities holds a RTPO License for the production and release of radio and television programs issued by Shanghai Municipal Administration of Radio and Television Bureau (上海市廣播電視局) (the “**SART**”). According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television programs production and operation business.

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### Categories

### Relevant Businesses

#### *Internet cultural activities*

Canxing Culture engages in the IP-related businesses through the internet and involves the production, distribution and streaming of online variety program, which fall within the scope of commercial internet cultural activities (互聯網文化活動) under the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》), the “**Internet Culture Provisions**”). The Internet Culture Provisions provide that internet cultural activities are classified into non-commercial internet cultural activities and commercial internet cultural activities. Under the Internet Culture Provisions, an internet cultural business license (《網絡文化經營許可證》) (the “**ICB License**”) is required for conducting commercial internet cultural activities. Canxing Culture holds an ICB License for the provision of variety programs through the information network and performances issued by Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局) (the “**SACT**”). According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet cultural business (except for music).

#### *Television drama production*

Canxing Film engages in the production of television drama series, which requires a television drama production permit (the “**Television Drama Production Permit**”) under the Administrative Provisions for Contents of Television Drama (《電視劇內容管理規定》). Canxing Film holds a Television Drama Production Permit (Class B) (《電視劇製作許可證(乙種)》) for the television drama production issued by the SART. According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in production and operation (including distribution) of television dramas (including made-for internet programs).

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<u>Categories</u>	<u>Relevant Businesses</u>
<b>Restricted Business</b>	<p><i>Value-added telecommunication services</i></p> <p>Beiyi Culture engages in operation of WeChat mini-app which involves short video production and live streaming, and therefore falls within the scope of the provision of telecommunications and information services through public network infrastructure (the “<b>value-added telecommunication services business</b>”), which requires a value-added telecommunications business operation license (《增值電信業務經營許可證》) (the “<b>ICP License</b>”) under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (“<b>Telecommunications Regulations</b>”). Beiyi Culture currently holds an ICP License issued by Shanghai Communications Administration (上海市通信管理局). According to the Negative List, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business (excluding electronic commerce, domestic multi-party communication, storage-forwarding and call center).</p>

For further details of the limitations on foreign ownership in PRC companies conducting above businesses under applicable PRC laws and regulations, see “Regulations — Regulations in relation to Foreign Investment.”

### OUR RELEVANT BUSINESSES

During the Track Record Period, our Consolidated Affiliated Entities held the relevant licenses as described above to carry out the Relevant Business. To comply with the Listing Rules and other applicable laws and regulations and in line with common practice in companies conducting the Relevant Business, we operate the Relevant Businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored for the reasons below:

#### (1) Variety programs production, distribution and streaming

Canxing Culture engages in production, distribution and streaming of variety programs through TV networks and online platforms. As advised by our PRC Legal Advisor, (1) the production of variety programs and distribution through TV networks falls within the scope of “radio and television programs production” which requires a RTPO License and (2) the distribution and streaming of online variety programs through internet falls within the scope of “internet cultural business” which requires an ICB license under applicable PRC laws and

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regulations. Canxing Culture currently holds a RTPO License issued by the SART and an ICB License issued by the SACT to conduct such businesses. Canxing Culture has been the holder of a RTPO License and an ICB License since June 20, 2006 and July 5, 2016, respectively.

As advised by our PRC Legal Advisor, according to the Negative List and other applicable PRC laws, foreign investors are prohibited from holding any equity interests in any enterprise (1) engaging in radio and television programs production and operation business and/or (2) engaging in internet cultural business (except for music). Such prohibitions were confirmed during interview with a principal staff member of the Radio & Television and Network Audiovisual Programme Division of the SART conducted by our PRC Legal Advisor together with the Joint Sponsors and their legal advisor on March 30, 2021, and the interview with a Level I Chief Staff Member of the Market Administration Office of the SACT conducted by our PRC Legal Advisor and the Joint Sponsors’ legal advisor on May 6, 2021 and the follow-up interview conducted on October 17, 2022, respectively. Appropriate measures have been taken to examine and verify the identity and competence of the officers interviewed.

Our PRC Legal Advisor is of the view that (i) the SART is the competent authority to give interpretations on the foreign investment restriction on the industry requiring a RTPO License based on applicable regulations, and the officer who attended the interview is a competent person to provide such confirmation; (ii) the SACT is the competent authority to give interpretations on the foreign investment restriction on the industry requiring an ICB License based on applicable regulations, and the officer who attended the interview is a competent person to provide such confirmation; and (iii) to maintain the relevant business operation of Canxing Culture in compliance with applicable PRC laws and local governmental authorities’ requirement, our Company or any of its overseas subsidiaries are not allowed to directly hold any equity interest in Canxing Culture.

Based on the above, since the businesses operated by Canxing Culture fall within “prohibited” categories under the Negative List, in order to maintain the business operations and effectiveness of the above licenses held by Canxing Culture, Canxing Culture has to be controlled by our Company through the Contractual Arrangements.

Canxing Culture applied for and obtained an ICP license in May 2021, with a view to carrying out the operations of the “Sing! China” app. As we later decided to display video content on the “Sing! China” app, Canxing Culture engaged an independent third party which holds both an ICP license and an AVP license that entitle them to provide such services, and ceased operations under our ICP license. As of the Latest Practicable Date, we did not have any current plan, nor did we expect, to carry out any operations under the ICP license held by Canxing Culture. For details, see “Business — Licenses and Permits.”

### **(2) Television drama series production and distribution**

Canxing Film is a non-wholly owned subsidiary of Canxing Culture which engages in the production and distribution of television drama series. As advised by our PRC Legal Advisor, the production and distribution of television drama series falls within both of (1) the scope of

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“television drama production” which requires a Television Drama Production Permit; and (2) the scope of “radio and television programs production” which requires a RTPO License under applicable PRC laws and regulations. Canxing Film currently holds a Television Drama Production Permit (Class B) and a RTPO License issued by the SART. Canxing Film has been the holder of a Television Drama Production Permit (Class B) and a RTPO License since September 3, 2019 and August 27, 2018, respectively.

As advised by our PRC Legal Advisor, according to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise (1) engaging in production and operation (including distribution) of television dramas (including made-for internet programs) and (2) engaging in radio and television programs production and operation business as mentioned above. Such prohibitions were confirmed during the interview with the same principal staff member of the Radio & Television and Network Audiovisual Programme Division of the SART conducted by our PRC Legal Advisor together with the Joint Sponsors and their legal advisor on March 30, 2021.

Our PRC Legal Advisor is of the view that (i) the SART is the competent authority to give interpretations on the foreign investment restriction on the industry requiring a Television Drama Production Permit and/or a RTPO License and the officer who attended the interview is a competent person to provide such confirmation; and (ii) to maintain the relevant business operations of Canxing Film in compliance with applicable PRC laws and local governmental authorities’ requirement, our Company or any of its overseas subsidiaries may not hold any equity interest in Canxing Film.

Based on the above, since the businesses operated by Canxing Film falls within “prohibited” categories under the Negative List, in order to maintain the business operations and effectiveness of the above license and permit held by Canxing Film, Canxing Film must be controlled by our Company through the Contractual Arrangements.

### **(3) Operation of WeChat mini-apps**

Beiyi Culture is a wholly-owned subsidiary of Canxing Culture which engages in the operation of the “*Zongbache*” and “*Zongba Xiaoché*” WeChat mini-apps involving short video production and streaming. As advised by our PRC Legal Advisor, the production and streaming of short video on the WeChat mini-apps operated by Beiyi Culture falls within both of (i) the scope of “radio and television program production” business which requires a RTPO License and (ii) the scope of “internet information services,” a subcategory of value-added telecommunication services business which requires an ICP License under applicable PRC laws and regulations. Furthermore, as required by the WeChat platform, an entity engaging in the operation of WeChat mini-apps which involves short video production and streaming shall obtain a RTPO License. Therefore, Beiyi Culture is required to hold both a RTPO License and an ICP License to carry out such business. Beiyi Culture currently holds an RTPO License issued by the SART and an ICP License issued by Shanghai Communications Administration. Beiyi Culture has been the holder of a RTPO License and an ICP License since September 1, 2020 and May 21, 2021, respectively.

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As advised by our PRC Legal Advisor, according to the Negative List, foreign investors are (1) prohibited from holding equity interests in any enterprise engaging in radio and television programs production and operation business which has been confirmed during the interview with the same principal staff member of the Radio & Television and Network Audiovisual Programme Division of the SART conducted by our PRC Legal Advisor together with the Joint Sponsors and their legal advisor on March 30, 2021; and (2) restricted from holding more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business (excluding electronic commerce, domestic multi-party communication, storage-forwarding and call center) under the Telecommunications Regulations.

Based on the above, we believe that to maintain the business operations and the effectiveness of the RTPO License and ICP License held by Beiyi Culture, Beiyi Culture must be controlled by our Company through the Contractual Arrangements. Furthermore, since the business operated by Beiyi Culture fall within both “prohibited” and “restricted” categories under the Negative List, we are unable to set up any alternative structure that allows us to partly hold equity interests in and partly control the economic benefits of Beiyi Culture through the Contractual Arrangements.

#### **(4) Minority Investment**

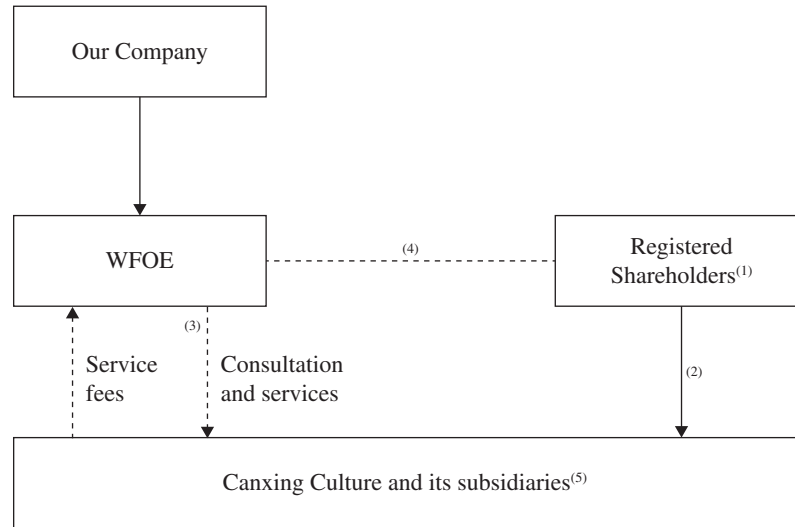
As of the Latest Practicable Date, Canxing Culture also held 30% minority interest in Guangdong Pumpkin Pictures Culture & Communication Co., Ltd. (廣東南瓜視業文化傳播有限公司) (“**Pumpkin Pictures**”) which engages in production of reality shows and documentaries. As advised by our PRC Legal Advisor, the production of reality shows and documentaries falls within the scope of “radio and television programs production” which requires a RTPO License. Pumpkin Pictures currently holds a RTPO License issued by the SART. As set out in “Contractual Arrangements — Our Relevant Businesses — (1) Variety programs production, distribution and streaming” above, foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television programs production which has been confirmed by the interview with the same principal staff member of the Radio & Television and Network Audiovisual Programme Division of the SART. As advised by our PRC Legal Advisor, to maintain the relevant business operations of Pumpkin Pictures in compliance with applicable PRC laws and local governmental authorities’ requirement, Pumpkin Pictures must be controlled by the Company through the Contractual Arrangements.

Based on the above reasons, we are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer prohibited or restricted from foreign investment.

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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:



- (1) The Registered Shareholders refer to the shareholders of Canxing Culture, namely SH Xingtou, SH Zhouxing, Mr. Tian, Mr. Cao Bin and Hanfu Capital who hold 73.71%, 23.09%, 1.77%, 0.78% and 0.65%, respectively. For further information about the Registered Shareholders, see “History, Reorganization and Corporate Structure.”
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “-->” denotes the control by WFOE over the business of the Consolidated Affiliated Entities through the Exclusive Consulting and Services Agreements.
- (4) “---” denotes the control by WFOE over the equity interest of the Consolidated Affiliated Entities through the (i) Exclusive Purchase Option Agreements, (ii) Equity Pledge Agreements and (iii) Voting Right Trust Agreements.
- (5) As of the Latest Practicable Date, the subsidiaries of Canxing Culture included Beiyi Culture and Canxing Film. Beiyi Culture was wholly owned by Canxing Culture. Canxing Film was held by Canxing Culture as to 78% and Mr. Zhang Jun (張軍) and Mr. Jing He (景赫) (employees of Canxing Film) and Ms. Shi Min (石敏) (a director of Canxing Film), as to 15%, 5% and 2%, respectively.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of the Consolidated Affiliated Entities will be instructed and supervised by our Group through the WFOE, and all risks arising from the business of the Consolidated Affiliated Entities are also effectively borne by our Group as a result of such Consolidated Affiliated Entity being treated as our wholly-owned subsidiaries. Accordingly, our Directors believe that it is fair and reasonable for the WFOE to be entitled to all economic benefits generated by the business operated by the Consolidated Affiliated Entities through the Contractual Arrangements as a whole.



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The revenue generated by our Relevant Businesses and by excluding inter group transactions was approximately RMB1,308.3 million, RMB1,032.4 million, RMB860.3 million and RMB123.1 million, representing 72.4%, 66.2%, 76.4% and 67.4% of the consolidated revenue of our Group, for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The corresponding net profit/(loss) incurred by our Relevant Businesses for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately RMB132.5 million, RMB24.4 million, RMB33.9 million and RMB(17.9) million, respectively. The remaining portion of the consolidated revenue of our Group for the Track Record Period were contributed by other businesses of our Group which are not subject to foreign investment restriction under the PRC laws and regulations, primarily including music IP operation and licensing, film IP library and licensing, artist management, concert organization and production, consumer products and themed attractions.

### Summary of the material terms of the Contractual Arrangements

#### *Exclusive Consulting and Service Agreements*

WFOE and Canxing Culture entered into an exclusive consulting and service agreement on July 23, 2021. Further, WFOE and each of Beiyi Culture and Canxing Film entered into exclusive consulting and service agreements on November 7, 2022 (collectively, the “**Exclusive Consulting and Service Agreements**”). Pursuant to the Exclusive Consulting and Service Agreements, our Consolidated Affiliated Entities agreed to engage WFOE as the exclusive provider to the Consolidated Affiliated Entities of consultancy and relevant services in relation to media and program production, which include, among other things, application software research and development, staff training, technology development, technology transfer, public relations, market research and business management consulting services, and the Consolidated Affiliated Entities shall pay the service fees to the WFOE quarterly, which shall be equivalent to the consolidated quarterly profit after taxation to which Canxing Culture is entitled, after deducting any accumulated losses from the preceding fiscal quarter, and any costs, expenses, tax and other statutory contribution in relation to the respective fiscal quarter.

Without the WFOE’s prior written consent, our Consolidated Affiliated Entities shall not receive services which are covered by the Exclusive Consulting and Service Agreements from any third party. WFOE is entitled to own all intellectual property rights arising out of the performance of these agreements. Our Consolidated Affiliated Entities agree to pay the entirety of their total income for the services provided by WFOE (net of costs, expenses, taxes and accumulated losses (if any)).

Under the Exclusive Consulting and Service Agreements, Our Consolidated Affiliated Entities shall, among others: (i) subject to the relevant PRC laws and regulations, appoint the person recommended by WFOE as their directors or senior management members; and (ii) allow WFOE to inspect their accounts and provide other information including relevant records and data.

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The Exclusive Consulting and Service Agreements shall remain effective unless terminated by WFOE with a 30-day prior written notice.

### *Exclusive Purchase Option Agreements*

Under the exclusive purchase option agreement entered into by Canxing Culture, its Registered Shareholders and the WFOE dated July 23, 2021 and the exclusive purchase option agreements entered into by WFOE, Canxing Culture and each of Beiyi Culture and Canxing Film dated November 7, 2022 (collectively, the “**Exclusive Purchase Option Agreements**”), the Registered Shareholders/Canxing Culture (as the case may be) irrevocably granted the WFOE an option to purchase or cause any person(s) designated by the WFOE to purchase, to the extent permitted under any applicable PRC laws, a portion of or all of (i) their equity interests in our Consolidated Affiliated Entities and/or (ii) assets or interests in any of the assets of the Consolidated Affiliated Entities at any time and from time to time, for a consideration equals to RMB1, or otherwise for the minimum amount of consideration permitted by applicable PRC laws.

We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the applicable foreign investment restrictions in relation to the Relevant Businesses will be removed in the future, the likelihood of which we were not in a position to know or comment on, as of the Latest Practicable Date. Where such foreign investment restrictions have been relaxed and there exist clear procedures and guidance for our Group to directly hold the maximum permitted interest in our Consolidated Affiliated Entities, our Group will unwind or modify (as the case may be) the Contractual Arrangements such that our Company (or our subsidiary(ies) of which we hold equity interest) will directly hold the maximum percentage of ownership interests permissible in our Consolidated Affiliated Entities, under relevant PRC laws and regulations, through either sino-foreign equity joint ventures or wholly-owned foreign investment entities.

To prevent the flow of the assets and value of the Consolidated Affiliated Entities to its shareholders, pursuant to the Exclusive Purchase Option Agreements, none of the assets and equity interests in the Consolidated Affiliated Entities are to be sold, transferred or otherwise disposed of without the prior written consent of the WFOE. In addition, under the Exclusive Purchase Option Agreements, the Registered Shareholders/Canxing Culture (as the case may be) may not transfer or permit the encumbrance of or allow any guarantee or security to be created on any of its equity interest in our Consolidated Affiliated Entities without the WFOE’s prior written consent.

The Registered Shareholders/Canxing Culture (as the case may be) may not receive any profit distribution or dividend from our Consolidated Affiliated Entities without prior written consent from the WFOE. If the WFOE exercises this option, all or any part of the equity interests in our Consolidated Affiliated Entities acquired would be transferred to the WFOE and the benefits of equity ownership would flow to the WFOE and its shareholders.

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### *Equity Pledge Agreements*

Under the equity pledge agreement entered into by the WFOE, Canxing Culture and the Registered Shareholders dated July 23, 2021 and the equity pledge agreements entered into by WFOE, Canxing Culture and each of Beiyi Culture and Canxing Film dated November 7, 2022 (collectively, the “**Equity Pledge Agreements**”), the Registered Shareholders/Canxing Culture (as the case may be) agreed to pledge all of their respective equity interests in our Consolidated Affiliated Entities that they legally own to the WFOE as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and obligations of our Consolidated Affiliated Entities in relation with the Contractual Arrangements.

Under the Equity Pledge Agreements, among other things, the Registered Shareholders/Canxing Culture (as the case may be) have agreed that, without prior written consent of the WFOE, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice the WFOE’s interest. The Equity Pledge Agreements shall remain valid until two years after all the contractual obligations of the Registered Shareholders/Canxing Culture (as the case may be) and our Consolidated Affiliated Entities under the relevant Contractual Arrangements have been fully performed. The equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws.

### *Voting Right Trust Agreements*

Under the voting right trust agreement entered into by the WFOE, Canxing Culture and the Registered Shareholders dated July 23, 2021 and the voting right trust agreements entered into by WFOE, Canxing Culture and each of Beiyi Culture and Canxing Film dated November 7, 2022 (collectively, the “**Voting Right Trust Agreements**”), the Registered Shareholders/Canxing Culture (as the case may be) have irrevocably appointed the WFOE or the person designated by the WFOE or his/her successor (including a liquidator replacing the person designated by the WFOE) as their agent and attorney to act on their behalf on all matters concerning our Consolidated Affiliated Entities and to exercise all of their rights as registered shareholders of our Consolidated Affiliated Entities, including: (i) the right to propose to convene and attend shareholders’ meetings; (ii) the right to exercise voting rights on all matters that require discussion and resolution at shareholders’ meeting, approve and sign resolutions on behalf of the relevant Registered Shareholders; (iii) the right to submit any required documents to the relevant authorities; and (iv) the right to exercise all shareholder rights under applicable PRC laws and the articles of association.

The Registered Shareholders/Canxing Culture (as the case may be) undertake that the authorization under the Voting Right Trust Agreements will not lead to any actual or potential conflict of interest with WFOE and/or its designee(s). If there is any conflict of interest (subject to WFOE’s sole discretion) with WFOE and other members of our Group, the Registered Shareholders/Canxing Culture (as the case may be) shall prioritize to protect and

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will hold harmless of WFOE. Where the Registered Shareholders are the Directors or senior management of our Company, the rights in relation to the Voting Right Trust Agreements will be granted to the Directors or senior management of our Company who are not the Registered shareholders. The Registered Shareholders/Canxing Culture (as the case may be) shall not take or omit to take any actions which may lead to a conflict of interest with WFOE or its shareholders, nor the Registered Shareholders/Canxing Culture (as the case may be) shall execute any agreement or make any undertaking therein which has the conflict of interest with any agreement signed or being performed between our Consolidated Affiliated Entities, WFOE or its designee(s).

### **Other aspects of the Contractual Arrangements**

#### ***Dispute Resolution***

Each of the agreements under the Contractual Arrangements contains a dispute resolution clause, pursuant to which, (i) in the event of any dispute arising under or in connection with the Contractual Arrangements, the parties thereto shall negotiate to settle the dispute; and (ii) in the event of the parties failing to reach an agreement within 30 days after the relevant dispute arises, the relevant dispute shall be submitted to the Shanghai International Economic and Trade Arbitration Commission in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. Any party shall have the right to apply to courts with competent jurisdiction for the enforcement of arbitration awards after the relevant arbitration award comes into effect.

The dispute resolution clause also provides that: (i) the tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities, injunctive relief (e.g., for the conduct of business or to restrict the transfer of assets) or order the winding-up of our Consolidated Affiliated Entities; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other courts with jurisdiction shall also have the right to grant interim remedies or enforce an arbitral award or interim remedies against the shares or properties of our Consolidated Affiliated Entities.

However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding up of our Consolidated Affiliated Entities pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

As a result of the above, if our Consolidated Affiliated Entities or their 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 the Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to Our Contractual Arrangements — As some of our Contractual Arrangements may not have fully detailed the parties’ rights and obligations, our remedies for a breach of these arrangements may not be guaranteed” for further details.

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### *Succession*

The Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the succession laws of China, the statutory successors include one's spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, WFOE can enforce its rights against the successors. Pursuant to the Exclusive Consulting and Services Agreements, the Exclusive Purchase Option Agreements, the Equity Pledge Agreements and the Voting Right Trust Agreements, in the event of death, loss of capacity, marriage or divorce or other circumstances which would affect the exercise of equity interest in our Consolidated Affiliated Entities, the successors (including the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents of the Registered Shareholders), assignees or other persons or entities obtain the equity interest in our Consolidated Affiliated Entities as a result of any of the above events shall inherit or assume the rights and obligations under the relevant contracts, as if the inheritor was a signing party to such Contractual Arrangements.

### *Undertakings from the Individual Registered Shareholders*

Each of the individual Registered Shareholders, namely Mr. Tian and Mr. Cao, signed an undertaking, pursuant to which he unconditionally and irrevocably undertakes that (i) his interests do not fall within the scope of communal properties, and his spouse does not have the right to claim any interests in Canxing Culture (together with any other interests therein); (ii) each of them will perform obligations or take any necessary measures to procure the execution of the Contractual Arrangements which do not require authorization or consent from his spouse; and (iii) his successors (including his spouse) will not take any actions that would affect his obligations under the Contractual Arrangements.

### *Spousal Undertakings*

The spouse of each of the individual Registered Shareholders has signed a spousal undertaking letter, pursuant to which the signed spouses unconditionally and irrevocably undertake their respective spouses' performance under the Contractual Arrangements.

The signed spouses further undertake, among other things, that: (i) any equity interests held by their respective spouse as a Registered Shareholder in Canxing Culture do not fall within the scope of their communal properties; (ii) any necessary measures taken or obligations performed by her spouse to procure the execution of the Contractual Arrangements do not require her authorization or consent; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

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### *Conflict of Interests*

Each of the Registered Shareholders/Canxing Culture (as the case may be) has entered into a Voting Right Trust Agreements, which addresses potential conflict of interests that may arise in connection with the Contractual Arrangements. See “— Summary of the material terms of the Contractual Arrangements — Voting Right Trust Agreements” above.

### *Loss Sharing*

Under the relevant PRC laws and regulations, none of our Company nor the WFOE is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. 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 conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite the PRC operational licenses and approvals, 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 Purchase Option Agreements, without the prior written consent of the WFOE, our Consolidated Affiliated Entities shall not, among others: (i) sell, transfer, pledge or dispose of in any manner any of its assets; (ii) create, succeed to, guarantee or permit any liability except (a) liabilities arising from the normal course of business, but not arising from loans; and (b) liabilities disclosed to the WFOE and approved by the WFOE in writing; (iii) provide loans or credit to any person; (d) enter into any consolidation or merger with any third party, or invest in any third party; and (iv) increase or reduce its registered capital, or alter the structure of the registered capital in any other way.

Therefore, due to the relevant restrictive provisions in the 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.

### *Liquidation*

Pursuant to the Exclusive Consulting and Service Agreements, upon the liquidation or winding up of our Consolidated Affiliated Entities, WFOE is entitled to recommend, and Canxing Culture shall appoint such recommended persons, to become members of the liquidation committee of our Consolidated Affiliated Entities. In the event of a liquidation or winding up, all of the remaining assets of our Consolidated Affiliated Entities shall be transferred to the WFOE or its designated person after such liquidation or winding up pursuant to PRC laws.

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## CONTRACTUAL ARRANGEMENTS

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### *Insurance*

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in "Risk Factors — Risks Relating to Our Contractual Arrangements." We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see "Risk Factors — Risks Relating to Our Business and Industries."

### *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.

### *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 Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible in our Consolidated Affiliated Entities where the foreign investment restrictions have been relaxed and there exist clear procedures and guidance under relevant PRC laws and regulations.

## LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. In addition, our PRC Legal Advisor is of the opinion that:

- (a) parties to each of the agreements and undertakings under the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder, and each of the agreements is binding on the parties thereto;
- (b) none of the agreements or undertakings under the Contractual Arrangements would fall within the circumstances as stipulated in the PRC Civil Code which will render the arrangements invalid or void under the PRC Civil Code;
- (c) none of the agreements or undertakings under the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or our WFOE;

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## CONTRACTUAL ARRANGEMENTS

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- (d) the parties to each of the agreements or undertakings under the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
  - (i) the exercise of the option by our WFOE of their rights under the Exclusive Purchase Option Agreements to acquire all or part of the equity interests in our Consolidated Affiliated Entities are subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
  - (ii) any share pledge contemplated under the Equity Pledge Agreements are subject to the registration with competent administration bureau for market regulation;
  - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (e) each of the agreements and undertakings under the Contractual Arrangements is valid and binding on the parties thereto under the PRC laws, except in relation to the dispute resolution clause under these agreements. These agreements provide that any dispute shall be submitted to the Shanghai International Economic and Trade Arbitration Commission, in accordance with the then effective arbitration rules. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g., for the conduct of business or to restrict the transfer of shares) or order the winding-up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands and other courts with jurisdiction shall have the right for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding-up of our Consolidated Affiliated Entities pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

According to Articles 146, 153 and 154 of the Civil Code, the circumstances under which a civil legal act is invalid include (i) a juridical act performed by an actor and the opposite party based on false declaration of will; (ii) a juridical act violating the imperative provisions of any law or administrative regulation, unless the imperative provisions do not result in the nullity of the juridical act; (iii) a juridical act contrary to public order and good morals; (iv) a juridical act by which an actor maliciously colludes with the opposite party to damage any other person's lawful rights and interests.



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Our PRC Legal Advisor is of the view that, the signing and execution of the Contractual Arrangements do not fall under the aforementioned circumstances that lead to the invalidity of a civil legal act as stipulated in the PRC Civil Code.

Further, during the interviews with the SART and SACT conducted by our PRC Legal Advisor together with the Joint Sponsors and their PRC legal advisor on March 30, 2021 and May 6, 2021 and the follow-up interview conducted on October 17, 2022, respectively, it has been confirmed by the relevant authorities that the Contractual Arrangements will not be subject to approval of or restrictions imposed by them under the current applicable laws and regulations. Based on the above analysis and the confirmations from the relevant authorities, our PRC Legal Advisor is 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 in effect. However, our PRC Legal Advisor also advised us that there are 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. See “Risk Factors — Risks Relating to Our Contractual Arrangements — If the PRC government determines that the agreements establishing the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.”

Nevertheless, based on the above analysis and advice from our PRC Legal Advisor, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the current applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in “— Contractual Arrangements — Other aspects of the Contractual Arrangements — Dispute Resolution,” each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Our PRC Legal Advisor is of the view that each of the agreements under the Contractual Arrangements are unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, if the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) are adopted in its current form.

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### 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 Regulations on the Implementation of the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign-Invested Enterprises Law 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. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and the Regulations on the Implementation of the Foreign Investment Law, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements — Legality of the 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 our Consolidated Affiliated Entities, by the 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.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors — Risks Relating to Our Contractual Arrangements — Substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as “foreign investment” and how it may impact the viability of our current corporate structure and operations.”

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### Qualification requirements under the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record (the “**Qualification Requirements**”). On March 29, 2022, the State Council promulgated the Decision of the State Council on Revising or Abolishing Some Administrative Regulations (國務院關於修改和廢止部分行政法規的決定) (the “**2022 Amendment Decision**”) which took effect on May 1, 2022. Among others, the 2022 Amendment Decision repealed the Qualification Requirements under the FITE Regulations.

As advised by our PRC Legal Advisor, the Company is not allowed to directly or indirectly hold any equity interests in any of the Consolidated Affiliated Entities, as each of them engages in businesses that at least fall within “prohibited” categories under the Negative List, and foreign investors are prohibited from holding equity interests in any enterprises engaging in such business in accordance with the Negative List. As a result, the 2022 Amendment Decision will not result in any change to the Contractual Arrangements, or have a material and adverse impact on the Group’s business operations.

### 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:

- (a) 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;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

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

Under the Exclusive Consulting and Service Agreements, it was agreed that, in consideration of the services provided by the WFOE, our Consolidated Affiliated Entities shall pay service fees to the WFOE quarterly. The service fee shall equal to the consolidated quarterly profit after taxation of our Consolidated Affiliated Entities to which Canxing Culture is entitled, after deducting any accumulated losses, and any funds for working capital, expenses, tax and other statutory contribution. The WFOE has the right to receive or inspect the accounts of our Consolidated Affiliated Entities. Any taxations arising from the payment of the service fees shall be payable by our Consolidated Affiliated Entities. Accordingly, the WFOE is entitled to receive substantially all of the economic benefit of our Consolidated Affiliated Entities pursuant to the Exclusive Consulting and Service Agreements.

In addition, under the Exclusive Purchase Option Agreements, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders/Canxing Culture (as the case may be) as the WFOE'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 the WFOE and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountants' Report included in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, Canxing Culture had been entitled to a preferential income tax rate of 15%, and the WFOE was subject to an income tax rate of 25%. Accordingly, if the Consolidated Affiliated Entities transfer any of their net profits to the WFOE in the form of services fees, such transfer may result in additional amount of PRC income tax expenses for the Group on a consolidated basis. Assuming that (1) the Contractual Arrangements had been adopted throughout the Track Record Period and the WFOE had been established and readily functioned for provision of the relevant services under the Exclusive Consulting and Service Agreements, (2) the business scope of and tax rates applicable to the Consolidated Affiliated Entities had remained unchanged throughout the Track Record Period and (3) 10% of the net profits of the Consolidated Affiliated Entities had been retained for the relevant entities' statutory surplus reserve, it is estimated that (i) the net

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profits of the Group would have decreased by approximately 3% in 2019, and (ii) the net losses of the Group would have increased by approximately 7% and approximately 1% in 2020 and 2021, respectively, and remained unchanged for the six months ended June 30, 2022. No PRC withholding taxes were considered in the calculations of the pro forma tax liabilities assuming no dividends would have been made by the WFOE to its parent companies in the relation to the respective periods. However, such impact is estimated without taking into consideration necessary funds retained by the Consolidated Affiliated Entities to conduct the Relevant Businesses pursuant to the Exclusive Consulting and Service Agreements, potential tax reductions with respect to factors such as costs and expenses primarily comprising employee benefits, rental expenses and other related expenses that were incurred by the WFOE in the process of providing such services. As a result, the Group may not be subject to additional income tax liabilities as set out above.