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## CONTRACTUAL ARRANGEMENTS

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### BACKGROUND

Our online non-formal VET services and book printing business in the PRC (the “Relevant Businesses”) are subject to foreign investment restrictions under PRC laws. To comply with the relevant PRC laws, our Relevant Businesses are directly conducted through our Consolidated Affiliated Entities. On July 31, 2021, we entered into the Contractual Arrangements through which, together with the equity holding, we are able to exercise control over and enjoy all the economic benefits derived from the operations of the Consolidated Affiliated Entities. See “History, Reorganization and Corporate Structure” for details. The Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

### PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTION

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “2021 Negative List”) and the Catalog of Industries in which Foreign Investment is Encouraged (2020 Revision) (鼓勵外商投資產業目錄(2020年版)) (the “2020 Encouraged Catalog”), which were promulgated and are amended from time to time jointly by MOFCOM and the NDRC. The 2021 Negative List and the 2020 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).

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

#### Prohibited Business

##### *Radio and television program production*

The Relevant Businesses involve or will 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 Programmes (廣播電視節目製作經營管理規定) (“Radio and Television Programs Regulations”). Under the Radio and Television Programs Regulations, any entity that engages in the production of radio and television programs are required to apply for a Radio and Television Production Operation License (廣播電視節目製作經營許可證). Fenbi Bluesky holds a Radio and Television Production Operation License for production and release of radio and television programs issued by the Beijing Municipal Radio and Television Bureau. According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television programme production and operation business.

##### *Internet audiovisual program services*

The Relevant Businesses involve or will involve the provision of online video and audio content, which falls within the scope of internet audio-visual program services (互聯網視聽節目服務) under the Administrative Regulations on Internet Audio-visual Program Service (互聯網視聽節目服務管理規定) (the “Internet Audio-visual Program Regulations”). Under the Internet Audio-visual Program Regulations, any entity engaged in certain audio-visual program services via the internet is required to hold an AVSP. As of the date of this document, only wholly state-owned or state-controlled enterprises are eligible to apply for the AVSP according to the Internet Audio-visual Program Regulations. As a result, we have not been able to obtain an AVSP as we are not a wholly state-owned or state-controlled enterprise. See “Business — Licenses, Permits and Approvals” and “Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required

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ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition” for details. According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in internet audio-visual program services business.

### **Restricted Business**

#### *Value-added telecommunications services*

Fenbi Bluesky holds a value-added telecommunications business operation license (增值電信業務經營許可證) (the “ICP License”) to operate the portion of the Relevant Businesses that involves internet information services. Fenbi Bluesky delivers online courses in live or pre-recorded format, or a combination of both, through Fenbi online platform, which constitutes providing internet information services. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), internet information services are defined as “services that provide information to online users through the internet,” which is a subcategory of the value-added telecommunications services. According to the 2021 Negative List, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise holding an ICP License.

On March 29, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations (關於修改和廢止部分行政法規的決定) (the “Decision”), which made amendments to the Regulation for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “FITE Regulations”) promulgated by the State Council on December 11, 2001 and last amended on February 6, 2016. Pursuant to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company engaged in value-added telecommunications business, except as otherwise stipulated by the state, and the 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 of business operations (the “Qualification Requirement”). The amendments prescribed in the Decision include, among others, removing the Qualification Requirement for foreign investors that invest in PRC companies conducting value-added telecommunications business as set out in the FITE Regulations. The amended FITE Regulations took effect on May 1, 2022.

Our PRC Legal Advisors are of the view that, even if the Qualification Requirement has been removed, Fenbi Bluesky is not allowed to operate value-added telecommunications services in the format of Sino-foreign equity joint venture or wholly foreign-owned enterprise according to the consultation with MIIT, which is the competent authority to give such confirmation, because Fenbi Bluesky is also engaged in foreign investment prohibited businesses. According to our PRC Legal Advisors, Fenbi Bluesky’s value-added telecommunications business is inseparable from its foreign investment prohibited businesses. See “— Our Consolidated Affiliated Entities — Fenbi Bluesky” for details.

#### *Book printing activities*

Lancai Tianxia holds a printing business license (印刷經營許可證) (“Printing Business License”) to operate the book printing business. Such book printing business is regulated by the Regulations on the Administration of Printing Industry (印刷業管理條例) promulgated by State Council on 2 August 2001 and amended on 6 February 2016 and 1 March 2017. According to the 2021 Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting publication printing (出版物印刷).

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### OUR CONSOLIDATED AFFILIATED ENTITIES

#### **Fenbi Bluesky**

Fenbi Bluesky operates a mixture of “prohibited business” and “restricted business” under the 2021 Negative List. In particular, Fenbi Bluesky delivers online courses in live or pre-recorded format, or a combination of both, through Fenbi online platform, which involves providing internet information services, hence constituting value-added telecommunications services under the applicable PRC laws and requiring an ICP License. Meanwhile, such business operation of Fenbi Bluesky involves (i) the production of content in video format, which constitutes radio and television program production and operation pursuant to the Radio and Television Programs Regulations, and (ii) the provision of video and audio content on online platforms, which falls within the scope of internet audio-visual programs services pursuant to the Internet Audio-visual Program Regulations. The aforementioned business is provided to our users through Fenbi online platform, where the tutoring services and course content have been fully integrated on such online platform under the same domain name and are inseparable. Additionally, it is not commercially practical to separate the value-added telecommunications business, the internet audio-visual program services and radio and the television program production services because they are carried out through common human resources, working capital, software and hardware on the same platform. Accordingly, as advised by our PRC Legal Advisors, the Group’s value-added telecommunications business is inseparable from the radio and television program production and operation business or the internet audio-visual programs services. Each of the radio and television program production and operation business and the internet audio-visual programs services falls within the scope of “prohibited business” under the 2021 Negative List.

Based on the above, we believe that to maintain the business operations and effectiveness of the licenses and permits held by Fenbi Bluesky, Fenbi Bluesky must be controlled by the Company through the Contractual Arrangements. Furthermore, since Fenbi Bluesky operates both “prohibited business” and “restricted businesses” under the 2021 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 Fenbi Bluesky other than through the Contractual Arrangements.

#### **Lancai Tianxia**

Lancai Tianxia operates book printing business, which falls within the scope of publication printing business and such scope belongs to the “restricted” investment category. As advised by our PRC Legal Advisors, Shandong Press and Publication Bureau (山東省新聞出版局), being the competent authority for foreign investment administration relating to our book printing business, is of the view that our Company, as a foreign entity, shall not directly or indirectly hold more than 50% of the equity interests in Lancai Tianxia. As such, we currently hold 49.9% of the equity interests in Lancai Tianxia, and Fenbi Bluesky, which is in turn owned by the Registered Shareholders, holds the remaining 50.1% of the equity interests in Lancai Tianxia.

Based on the above reasons, the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

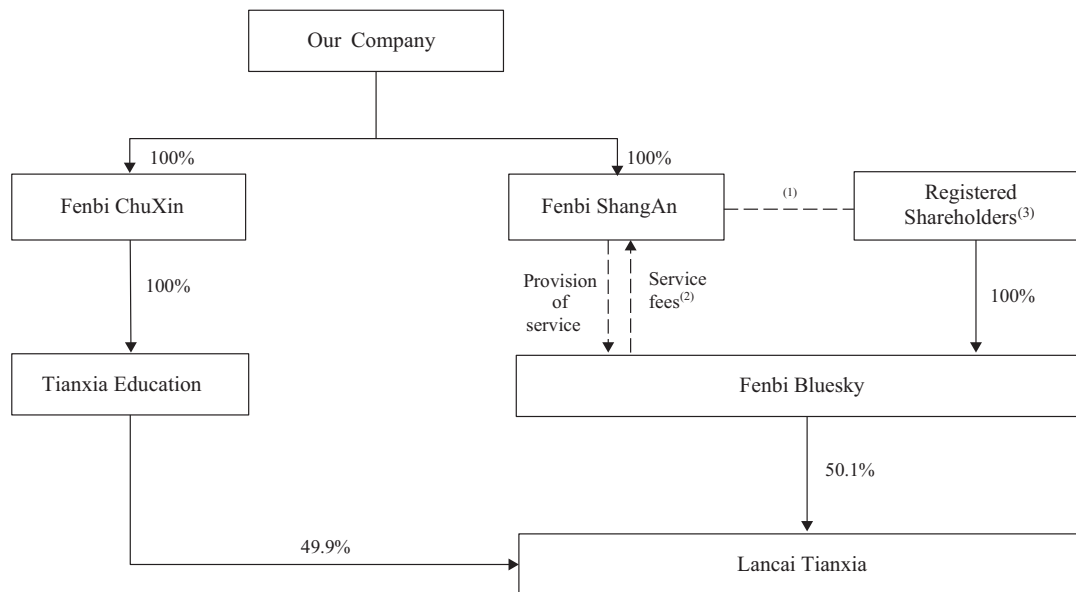
For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see “Regulation — Regulations Related to Foreign Investment.”

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#### Overview

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



—> denotes direct legal and beneficial ownership in the equity interest

- - -> denotes contractual relationship

- (1) Control of Fenbi ShangAn over Fenbi Bluesky through the following agreements with the Registered Shareholders: (i) Shareholder Voting Right Proxy Agreement, (ii) Exclusive Option Agreement, and (iii) Equity Pledge Agreement.
- (2) Control of Fenbi ShangAn over Fenbi Bluesky through the Business Cooperation and Service Agreement.
- (3) The Registered Shareholders refer to the registered shareholders of Fenbi Bluesky. Fenbi Bluesky is owned as to 92.45%, 5.00%, 2.25%, 0.10%, 0.10% and 0.10% by Mr. Zhang, Beijing Fenbi Box, Mr. WEI Liang, Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen, respectively. Beijing Fenbi Box is owned as to 95.0% by Mr. Zhang as the general partner and as to 5.0% by Mr. WEI Liang as the limited partner.

#### Summary of the Material Terms of the Contractual Arrangements

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

##### *Business Cooperation and Service Agreement*

As part of the Contractual Arrangements, Fenbi ShangAn entered into a business cooperation and service agreement (the “Business Cooperation and Service Agreement”) with Fenbi Bluesky and its subsidiaries on July 31, 2021, pursuant to which Fenbi ShangAn agreed to be engaged as the exclusive provider to Fenbi Bluesky of technical services, management support services, consulting services, market research and other services to the Consolidated Affiliated Entities, in exchange for service fees. Under the Business Cooperation and Service Agreement, the service fees payable to Fenbi ShangAn, subject to the adjustment by Fenbi ShangAn, shall equal to the total profit of the Consolidated Affiliated Entities, after deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year.

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In addition, without the prior written consent of Fenbi ShangAn, during the term of the Contractual Arrangements, with respect to the services subject to the Business Cooperation and Service Agreement, Fenbi Bluesky and its subsidiaries shall not establish cooperation relationships similar to those formed by the Business Cooperation and Service Agreement with any third party.

The Business Cooperation and Service Agreement also provides that Fenbi ShangAn has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Fenbi Bluesky or its subsidiaries during the performance of the Business Cooperation and Service Agreement.

The Business Cooperation and Service Agreement shall remain in effect until (1) Fenbi ShangAn exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiaries from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral right of termination.

### *Exclusive Option Agreement*

Fenbi ShangAn entered into an exclusive option agreement (the “Exclusive Option Agreement”) on July 31, 2021 with Fenbi Bluesky and its subsidiary and the Registered Shareholders, pursuant to which Fenbi ShangAn (or its designees) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Fenbi Bluesky and its subsidiaries, and an irrevocable and exclusive right to purchase from Fenbi Bluesky and its subsidiaries all or any part of their assets, at a minimal price required by the relevant government authorities or PRC laws. To the extent permitted by applicable PRC laws and regulations, the Registered Shareholders shall return the amount of purchase price they have received in full to Fenbi ShangAn. At Fenbi ShangAn’s request, the Registered Shareholders, Fenbi Bluesky and/or its subsidiaries will promptly and unconditionally transfer their respective equity interests and/or assets to Fenbi ShangAn (or its designee) after Fenbi ShangAn exercises its this option.

In order to prevent the flow of the assets and value of the Consolidated Affiliated Entities to the Registered Shareholders, during the terms of the Exclusive Option Agreement, none of the assets of the Consolidated Affiliated Entities shall be sold, transferred or otherwise disposed of without the prior written consent of Fenbi ShangAn. In addition, Fenbi Bluesky is not allowed to make any distributions to the Registered Shareholders without the prior written consent of Fenbi ShangAn. In the event that the Registered Shareholders receive any profit distribution or dividend from Fenbi Bluesky, the Registered Shareholders must immediately pay or transfer such amount to Fenbi ShangAn (or its designee). If Fenbi ShangAn exercises this option, all or any part of the equity interests of Fenbi Bluesky and its subsidiaries acquired would be transferred to Fenbi ShangAn and the benefits of equity ownership would flow to the Company and our Shareholders.

The Exclusive Option Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiaries from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

### *Equity Pledge Agreement*

Fenbi ShangAn entered into an equity pledge agreement (the “Equity Pledge Agreement”) on July 31, 2021 with the Registered Shareholders, Fenbi Bluesky and its subsidiary, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in Fenbi Bluesky that they legally own to Fenbi ShangAn as a first security interest to guarantee the performance of contractual obligations of Fenbi Bluesky and the Registered Shareholders under the relevant Contractual Arrangements.



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Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without prior written consent of Fenbi ShangAn, 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 Fenbi ShangAn’s interest.

The Equity Pledge Agreement shall remain in effect until (i) the satisfaction of all contractual obligations of Fenbi Bluesky and the Registered Shareholders in full, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination. The equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws and regulations.

### ***Shareholder Voting Right Proxy Agreement and Powers of Attorney***

Under the shareholder voting right proxy agreement entered into by and among Fenbi ShangAn, the Registered Shareholders and Fenbi Bluesky on July 31, 2021 (the “Shareholder Voting Right Proxy Agreement”), and the irrevocable powers of attorney executed by each of the Registered Shareholders on the same date (the “Powers of Attorney”), the Registered Shareholders have appointed Fenbi ShangAn, or any director of Fenbi ShangAn or the person designated by Fenbi ShangAn (including a liquidator replacing the person designated by the Fenbi ShangAn) as their agent and attorney to act on their behalf on all matters concerning Fenbi Bluesky and to exercise all of their rights as registered shareholders, including but not limited to (1) the right to propose to convene and attend shareholders’ meetings; (2) 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 Shareholder; (3) the right to exercise all shareholder rights and shareholder voting rights under applicable PRC laws and the articles of association; (4) the right to sign the relevant equity transfer agreement and other relevant documents on behalf of the relevant Registered Shareholder and handle the relevant procedures required for the equity transfer in accordance with the relevant Exclusive Option Agreement and Equity Pledge Agreement; and (5) the right to instruct the directors and senior managers of Fenbi Bluesky to act in accordance with the instructions of Fenbi ShangAn (or its designee) without violating the applicable PRC laws, regulations and the articles of association.

The Shareholder Voting Right Proxy Agreement also provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of the Company, the powers of attorney are granted in favour of officers or directors of the Company other than those who are the Registered Shareholders.

The Shareholder Voting Right Proxy Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiaries from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

### ***Loan Agreement***

Pursuant to the Loan Agreement entered into by and among Fenbi ShangAn and Fenbi Bluesky on July 31, 2021, Fenbi ShangAn agreed to provide interest-free loans to Fenbi Bluesky in accordance with the PRC laws and regulations and Fenbi Bluesky agreed to utilize the proceeds of such loans to contribute to business operation and development of its subsidiaries.

The terms of the Loan Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiaries from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

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Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Fenbi ShangAn. The loans will become due and payable upon Fenbi ShangAn's demand under any of the following circumstances, as the case may be: (1) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Fenbi Bluesky, (2) a winding-up or liquidation application has been filed by or against Fenbi Bluesky, (3) Fenbi Bluesky becoming insolvent or incurring any other significant debt which may affect its ability to repay the loan under the relevant Loan Agreement, (4) Fenbi ShangAn or its designee exercising in full their option to purchase all equity interest in Fenbi Bluesky and its subsidiaries from the Registered Shareholders to the extent permitted by PRC laws and regulations, or (5) any of relevant contractual parties (except for Fenbi ShangAn) commits any breach of any obligations under the Contractual Arrangements, or any warranties provided by relevant contractual parties (except for Fenbi ShangAn) under the Contractual Arrangements is proved incorrect or inaccurate.

### Succession

Each of the Registered Shareholders has confirmed to the effect that, in the event of death, incapacity, bankruptcy, marriage, divorce or any other event which causes the inability of the Registered Shareholder to exercise the rights as a shareholder of Fenbi Bluesky, (1) such Registered Shareholder shall transfer all of the equity interests in Fenbi Bluesky held by him/it without consideration to Fenbi ShangAn or an individual or legal entity designated by our Company under applicable PRC laws, and (2) the successors of the Registered Shareholder will not take any actions that would affect the obligations of such Registered Shareholder under the Contractual Arrangements.

Given that (1) in the event of dissolution of Beijing Fenbi Box, Mr. Zhang and Mr. WEI Liang shall be the liquidators pursuant to the Partnership Enterprise Law of the PRC (中華人民共和國合夥企業法), as Mr. Zhang is the general partner and Mr. WEI Liang is the limited partner of Beijing Fenbi Box while each of them being a registered shareholder of Fenbi Bluesky; (2) according to the Exclusive Option Agreement, Beijing Fenbi Box has undertaken, in the event of any circumstance that may affect Beijing Fenbi Box's exercise of its shareholding in Fenbi Bluesky, the successor and liquidator of Beijing Fenbi Box's civil rights or the assignee of Fenbi Bluesky's equity will be deemed to be a signing party to the Exclusive Option Agreement, inherit and assume Beijing Fenbi Box's rights and obligations under the Exclusive Option Agreement, and transfer the relevant equity interest in Fenbi Bluesky to Fenbi ShangAn or its designee in accordance with the then applicable laws and the Exclusive Option Agreement; and (3) the Contractual Arrangements also stipulate that (a) Beijing Fenbi Box shall not dispose of its equity interests in Fenbi Bluesky without the prior written consent of Fenbi ShangAn; (b) Beijing Fenbi Box shall not transfer any of its rights and obligations under the Contractual Arrangements for any reason without the written consents of other parties to the Contractual Arrangements, and Beijing Fenbi Box shall ensure that the successor continues to abide by and perform its rights and obligations under the Contractual Arrangements and shall not affect or hinder the performance of the Contractual Arrangements, despite that the successors of Beijing Fenbi Box may not be parties to the Contractual Arrangements, our PRC Legal Advisors are of the view that, subject to applicable PRC laws and regulations, the provisions set out in the Contractual Arrangements are legally binding upon Beijing Fenbi Box and will be further substantially binding on the successors of Beijing Fenbi Box, as if the successor was a signing party to the Contractual Arrangements.

Our PRC Legal Advisors are of the view that subject to applicable laws and regulations, (1) the Contractual Arrangements provide protection to the Group even in the event of liquidation or bankruptcy of Beijing Fenbi Box; and (2) liquidation or bankruptcy of Beijing Fenbi Box would not affect the validity of the Contractual Arrangements, and Fenbi ShangAn can enforce its right under the Contractual Arrangements against the successors of Beijing Fenbi Box.

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### Spouse Undertakings

The spouse of the relevant Registered Shareholders, where applicable, has signed an undertakings to the effect that (1) he/she confirms that the respective spouse may execute all necessary documents and perform all necessary procedures from time to time for and on behalf of him or her in relation to the respective Registered Shareholder’s direct and indirect equity interests in Fenbi Bluesky without the need for authorization or consent by him/her; and (2) if he/she is transferred any shares held by their spouse for any reason, he/she will be bound by the Contractual Arrangements and will observe obligations as a shareholder of Fenbi Bluesky, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly preformed.

Based on the foregoing, (1) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders; and (2) loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Fenbi ShangAn can still enforce its rights under the Contractual Arrangements against the successors of such Registered Shareholders.

### Dispute Resolution

Each of the agreements under the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party’s request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration in Beijing, in accordance with the then effective arbitration rules. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the agreements under the Contractual Arrangements also provides that the arbitral tribunal may award remedies over the equity interest, property interest or other assets of Fenbi Bluesky, injunctive relief (e.g. to limit the conduct of business or to compel the transfer of assets) or order the winding up of Fenbi Bluesky; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and other jurisdiction where the principal assets of Fenbi Bluesky and its subsidiaries are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the equity interest, property interest or other assets of Fenbi Bluesky and its subsidiaries.

However, our PRC Legal Advisors have advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Fenbi Bluesky under the PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC under the current PRC laws. As a result of the above, if Fenbi Bluesky or any Registered Shareholder breaches 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 Fenbi Bluesky and conduct our business could be materially and adversely affected. See “Risk factors — Risks Relating to Our Contractual Arrangements” for further details.

### Conflict of Interest

The Registered Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective, unless otherwise agreed by Fenbi ShangAn in writing, the Registered Shareholders would not, directly or indirectly participate, or be interested, or engage in, any business which is or may potentially be in competition with the businesses of Fenbi Bluesky or any of its subsidiaries. Furthermore, in the event of the occurrence of a conflict of interests, Fenbi ShangAn



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and/or the designee of our Company shall be entitled to an option to (1) require the entity engaging in the competing business to enter into an arrangement similar to that of the Contractual Arrangements; or (2) require the relevant Registered Shareholder to take appropriate measures to cease participating in such competing business and eliminate such conflicts of interest.

### **Loss Sharing**

Under the relevant PRC laws and regulations, none of our Company nor Fenbi ShangAn is legally required to share the losses of, or provide financial support to Fenbi Bluesky. Further, Fenbi Bluesky is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Fenbi ShangAn intends to continuously provide to or assist Fenbi Bluesky 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 Fenbi Bluesky, 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 Fenbi Bluesky suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of Fenbi ShangAn, Fenbi Bluesky shall not, among others: (1) sell, transfer, pledge or dispose of in any manner any of its assets; (2) enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of Fenbi Bluesky, save for (i) transactions arising from the normal course of business with the amount involved not more than RMB500,000, and (ii) transactions disclosed to Fenbi ShangAn and approved by Fenbi ShangAn in writing; (3) provide loans or credit to any person (other than in the normal course of business); (4) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (5) 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 Fenbi ShangAn and our Company in the event of any loss suffered from Fenbi Bluesky can be limited to a certain extent.

### **Liquidation**

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Fenbi Bluesky shall give the proceeds they received from liquidation as a gift to Fenbi ShangAn or its designee(s) to the extent permitted by the PRC laws.

### **Insurance**

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

### **Company’s Confirmation**

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Fenbi Bluesky under the Contractual Arrangements.

### **Circumstances under which We will Unwind the Contractual Arrangements**

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations in the event that PRC regulatory restrictions on foreign ownership of the Relevant Businesses cease to exist.

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### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

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 Advisors are of the opinion that:

- (a) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder;
- (b) the Contractual Arrangements would not fall within the circumstances as stipulated in the PRC Civil Code which will lead the arrangements as invalid act under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Fenbi Bluesky or Fenbi ShangAn;
- (d) the parties to each of 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 Fenbi ShangAn of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Fenbi Bluesky 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 Agreement 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 under the Contractual Arrangements is legal, valid and binding on the parties thereto under the PRC laws. These agreements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. They also provide that the arbitral tribunal may award remedies over the equity interest, property interest or other assets of Fenbi Bluesky, injunctive relief (e.g. to limit the conduct of business or to compel the transfer of assets) or order the winding up of Fenbi Bluesky; and the courts of Hong Kong, the Cayman Islands and other jurisdiction where the principal assets of Fenbi Bluesky and its subsidiaries are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the equity interest, property interest or other assets of Fenbi Bluesky and its subsidiaries. However, our PRC Legal Advisors have advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Fenbi Bluesky under the PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC under the current PRC laws.

Our PRC Legal Advisors 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.”

Notwithstanding the foregoing, during the consultations with the NRTA, MIIT and Shandong Provincial Press and Publication Bureau (山東省新聞出版局), conducted by our PRC Legal Advisors and the Joint Sponsors’ PRC legal advisors in February 2022, February 2022 and December 2021, respectively, the officers of such government authorities confirmed that the adoption of the Contractual Arrangements is not subject to their approvals or confirmation. Our PRC Legal Advisors are of the view that the NRTA, MIIT and Shandong Provincial Press and Publication Bureau (山東省新聞出版局) are the competent government authorities for the Company’s Relevant Businesses and are competent to

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give the confirmations above. Our Contractual Arrangements have not been challenged or subject to penalty imposed by relevant competent government authorities due to violation of any relevant PRC laws or regulations.

Our PRC Legal Advisors are of the view that (1) the aforementioned consultations with the NRTA, MIIT and Shandong Provincial Press and Publication Bureau cover all the regions where we have operations, because (i) each of the NRTA and MIIT is a national government authority of the highest level in the PRC, which shall be competent to provide confirmations in respect of our relevant business operations nationwide, and (ii) our publication printing business has been operated by Lancai Tianxia in Shandong Province, and Shandong Provincial Press and Publication Bureau, as the authority authorized to approve the establishment of Sino-foreign joint venture printing enterprises in Shandong Province and the issuing authority of Lancai Tianxia’s License for Printing Operations, is competent to provide the relevant confirmation; and (2) the risk that such consultations would be challenged by higher authorities in the PRC is relatively low.

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

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Business Cooperation and Service Agreement, it was agreed that, in consideration of the services provided by Fenbi ShangAn, Fenbi Bluesky will pay service fees to Fenbi ShangAn. The services fees, subject to the adjustment by Fenbi ShangAn, shall equal to the total profit of the Consolidated Affiliated Entities, after deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year. Fenbi ShangAn may adjust the service scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities.

In addition, under the Business Cooperation and Service Agreement and the Exclusive Option Agreement, Fenbi ShangAn has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as Fenbi ShangAn’s prior written consent is required before any distribution can be made.

As a result of the Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through Fenbi ShangAn 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.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group’s financial information as if they were our Company’s subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in the Accountant’s Report in Appendix I to this document. Therefore, there would be no material financial impact on our Group if the Contractual Arrangements were adopted throughout the Track Record Period. The aggregate revenues from external customers derived from Fenbi Bluesky and Lancai Tianxia for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were RMB701.7 million, RMB1,045.1 million, RMB1,505.3 million and RMB763.5 million, respectively. Fenbi Bluesky recorded profit before income tax of RMB91 million and RMB104.1 million in 2019 and the six months ended June 30, 2022, respectively, and losses before income tax of RMB464.6 million and RMB805.5 million in 2020 and 2021, respectively. Lancai Tianxia was established on October 27, 2020, started operations in the year ended December 31, 2021 and recorded profit before income tax of RMB19.8 million and RMB9.2 million in 2021 and the six months ended June 30, 2022, respectively. Assuming that (1) the Contractual Arrangements were adopted throughout the Track Record Period, (2) Fenbi ShangAn had been established and readily functioned for provision

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of the relevant services under the Business Cooperation and Service Agreement throughout the Track Record Period, (3) the amounts of the services fees during the year had represented arm’s-length transaction price for PRC tax purposes, and (4) the business scope and tax rates of the relevant entities had remained unchanged throughout the Track Record Period due to any assumptions made, the pro forma current income tax liabilities of our Group in 2019 and the six months ended June 30, 2022 would increase by approximately RMB9.1 million and RMB10.4 million, respectively, being the 10% difference between the standard PRC income tax rate of 25% applicable to the services fees that would have been received by Fenbi ShangAn and the preferential income tax rate of 15% applicable to Fenbi Bluesky. The pro forma current income tax liabilities of the Group in the years ended December 31, 2020 and 2021 would be unchanged due to the aggregate losses incurred in the Consolidated Affiliated Entities in the respective periods and same tax rates applicable to Fenbi ShangAn and Lancai Tianxia. No PRC withholding taxes were considered in the calculations of the pro forma tax liabilities assuming no dividends would have been made by Fenbi ShangAn to its parent companies in the relation to the respective periods.

### 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 advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Fenbi ShangAn and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT AND OVERSEAS [REDACTED]

#### Foreign Investment Law

On March 15, 2019, the second meeting of the 13th NPC approved the FIL which became effective on January 1, 2020. The FIL replaced the Sino-foreign Equity Joint Venture Enterprise Law of the PRC, the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC to become the legal foundation for foreign investment in the PRC. The FIL stipulates three specific forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

The FIL stipulates that foreign investment includes “foreign investors invest through any other methods under laws, administrative regulations or provisions prescribed by the State Council.” Therefore, there remains uncertainty regarding whether future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, whether our 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. In the event that such measures are not complied with, the Stock Exchange may take

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enforcement actions against us which may have a material adverse effect on the [REDACTED] of our Shares. See “Risk Factors — Risks Relating to Our Contractual Arrangements.” Our Company will disclose, as soon as possible, updates of changes to the FIL that will materially and adversely affect our Company as and when occur.

### Restrictions on Foreign Investment in Value-Added Telecommunications Services

According to the 2021 Negative List, the proportion of foreign investments in an entity engaged in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

The FITE Regulations promulgated by the State Council on December 11, 2001 and last amended with immediate effect on February 6, 2016, requires foreign-invested value-added telecommunications enterprises in the PRC to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interests of such enterprise, except as otherwise stipulated by the state. In addition, the main foreign investor who invests in such enterprise shall demonstrate a good track record and experience in such industry. On March 29, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations, which made amendments to the FITE Regulations, including, among others, removing the Qualification Requirement for main foreign investors that invest in PRC companies conducting value-added telecommunications business as set out in the FITE Regulations. The amended FITE Regulations took effect on May 1, 2022. See also “— PRC Laws and Regulations Relating to Foreign Ownership Restriction” for details.

### Foreign Investment Negative List

According to the 2021 Negative List, PRC domestic companies conducting businesses in areas prohibiting foreign investment under the 2021 Negative List must obtain approval from the relevant regulatory authorities before its overseas securities [REDACTED] and [REDACTED]. At a press conference held on January 18, 2022, officials from the NDRC clarified that the foregoing approval requirement would only apply to direct overseas [REDACTED] by PRC domestic companies engaging in foreign-prohibited businesses. Our PRC Legal Advisors are of the view that the [REDACTED] constitutes an indirect overseas [REDACTED] by a PRC domestic company, which would not be subject to the foregoing approval requirement based on NDRC’s clarifications.

### Draft Regulations on Overseas Listing

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) (the “Draft Overseas Listing Administration Provisions”) and the Administrative 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)) (the “Draft Overseas Listing Filing Measures”, together with the Draft Overseas Listing Administration Provisions, the “Draft Regulations on [REDACTED]”), the deadline for public comments of which was January 23, 2022.

The Draft Overseas Listing Administration Provisions comprehensively improved and reformed the exiting regulatory system for overseas [REDACTED] and [REDACTED] of domestic companies, and brought all overseas [REDACTED] activities including both direct and indirect overseas [REDACTED] and [REDACTED] under regulation by adopting a filing-based administration system. Under the Draft Overseas Listing Administration Provisions, the securities [REDACTED] and [REDACTED] in an overseas market made in the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a domestic company that operates its main business domestically may be deemed as indirect overseas [REDACTED] and [REDACTED], and thus the offshore entity shall fulfill the filing procedure with the CSRC instead of obtaining the approval from the CSRC.



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At the press conference held for these draft regulations on December 24, 2021, officials from the CSRC clarified that implementation of the Draft Regulations on [REDACTED] will follow a non-retrospective approach, which indicates that only new [REDACTED] and refinancing by existing overseas-listed Chinese companies will be required to go through the filing process. In addition, the new regulations and rules will allow a proper transition period for existing overseas-listed China-based companies that do not have an imminent plan for [REDACTED] to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas [REDACTED] and [REDACTED] upon the completion of the requisite procedures.

In addition, pursuant to the Draft Overseas Listing Administration Provisions, an overseas [REDACTED] and [REDACTED] of a PRC company is prohibited under any of the following circumstances, if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. As advised by our PRC Legal Advisors, there is no explicit PRC laws and regulations currently in effect which prohibit us from [REDACTED] and [REDACTED] in an overseas stock exchange. Furthermore, based on legal due diligence and public search against the Company’s PRC subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, and their directors, supervisors and senior executives conducted by our PRC Legal Advisors and to the best of our knowledge, as of the date of this document, our PRC subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, as well as our directors, supervisors and senior executives have not been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas [REDACTED] under the Draft Overseas Listing Filing Measures. As of the date of this document, we had not received any enquiries, guidance or other concerns with respect to the [REDACTED] or our VIE structure from the CSRC or any other PRC government authorities in connection with the requirements under the new regulatory regime. Since the Draft Regulations on [REDACTED] are released recently and the adoption and effective date of such drafts is unclear, there is still uncertainty about the final form of such drafts as well as the interpretation and implementation thereof after their promulgation. If the Draft Regulations on [REDACTED] become effective in their current form before the [REDACTED] is completed, we will take all necessary steps, and submit all relevant materials in accordance with the Draft Regulations on [REDACTED], other than uncertainties of the filing procedures or requirements which may be further clarified in the final version of the Draft Regulations on [REDACTED] and/or their implementation rules, we do not foresee any material impediment for us to comply with these regulations in any material respect.