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PRC REGULATORY BACKGROUND

Foreign investment activities in the PRC are mainly governed by the Encouraging Catalog and the Negative List, which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Encouraging Catalog sets forth the industries in which foreign investment is encouraged, while the Negative List sets forth the industries in which foreign investment is restricted or prohibited. As advised by our PRC Legal Adviser, a summary of our business/operation that is subject to foreign investment restriction or prohibition in accordance with the 2021 Negative List and other applicable PRC laws and regulations is set out below (the “**Relevant Businesses**”):

Categories	Relevant Business
“Prohibited” Internet cultural business	The principal business of Wangchen Technology and Moji Technology involves the operation of games through mobile apps, which falls within the scope of “internet cultural activities” under the Provisional Regulations for the Administration of Internet Culture (《互聯網文化管理暫行規定》). According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet cultural business (except for music).
“Restricted” Value-added Telecommunications Services Business	The principle business of Wangchen Technology and Moji Technology involves operation of mobile games, which falls within the scope of “value-added telecommunication service” under the Telecommunications Regulations of the People’s Republic of China (《中華人民共和國電信條例》). According to the applicable PRC laws, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business. Wangchen Technology and Moji Technology respectively holds a value-added telecommunications business operating license (within the business scope of Internet content provider) (the “ ICP License ”) for the provision of Internet contents issued by the local counterpart of MIIT in Guangdong Province.

For further details of the limitations on foreign ownership in PRC companies conducting the above businesses under PRC laws and regulations, please see the section headed “Regulatory Overview”.

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The Administrative Provisions on Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), which was promulgated by the State Council on December 11, 2001, and amended on September 10, 2008, and February 6, 2016, sets forth that foreign investors are not allowed to hold more than 50% of the equity interest in a company providing value-added telecommunications services, including Internet information services. In addition, a foreign investor who invests in a foreign-invested value-added telecommunications enterprises in the PRC must possess prior experience in, and a proven track record of, operating value-added telecommunications business overseas (the “**Qualification Requirements**”). On March 29, 2022, the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (“**the Decision**”), which took effect on May 1, 2022, was promulgated to amend certain provisions of regulations including the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (2016 Revision). The Qualification Requirements were removed.

Under the requirements of the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (2016 Revision), according to the interview with the Shenzhen Communications Administration (深圳市通信管理局) by our PRC Legal Advisers on May 26, 2020, the Shenzhen Communications Administration confirmed that, (i) the MIIT or Shenzhen Communications Administration has not provided clear guidance on what “prior experience in operating value-added telecommunications businesses” and “proven track record of business operations overseas” in respect of the Qualification Requirement entails; (ii) they would not approve the ICP application of Wangchen Technology if it turned into a foreign-invested enterprise (with foreign investor(s) holding no more than 50% of the equity interests); and (iii) they would neither approve the renewal of Wangchen Technology’s current ICP License in case there was any foreign investor indirectly holding the equity interests of Wangchen Technology.

Nevertheless, under the latest Administrative Provisions on Foreign-Invested Telecommunications Enterprises amended in 2022, whilst foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest and not more), whether the post-foreign-invested entity can hold an ICP License is still subject to the examination of substance and merits by the MIIT. As the Decision only became effective on May 1, 2022, and no detailed guidance or implementation measures have been issued, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy.

Moreover, even though an ICO License is no longer required to conduct online game operation business in the PRC, the Internet Culture Measures and the Negative List remain effective and applicable to the Group. As mentioned above, the principal business of Wangchen Technology and Moji Technology involves the operation of games through mobile apps, which falls within the scope of “internet cultural activities” under the Internet Culture Measures. According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet cultural business (except for music). We can only conduct Relevant Businesses through our PRC Operating Entities.

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Given that Wangchen Technology and Moji Technology operate the foreign-prohibited business and foreign-restricted business which requires an ICP license, our Company would not be currently allowed to hold any equity interests in the PRC consolidated subsidiaries. Based on this and the advice of our PRC Legal Advisers on the PRC foreign investment restriction policies, we are of the view that the Contractual Arrangements and our corporate structure as a whole are narrowly tailored. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. We will unwind and terminate the Contractual Arrangements wholly or partly once our businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC Laws.

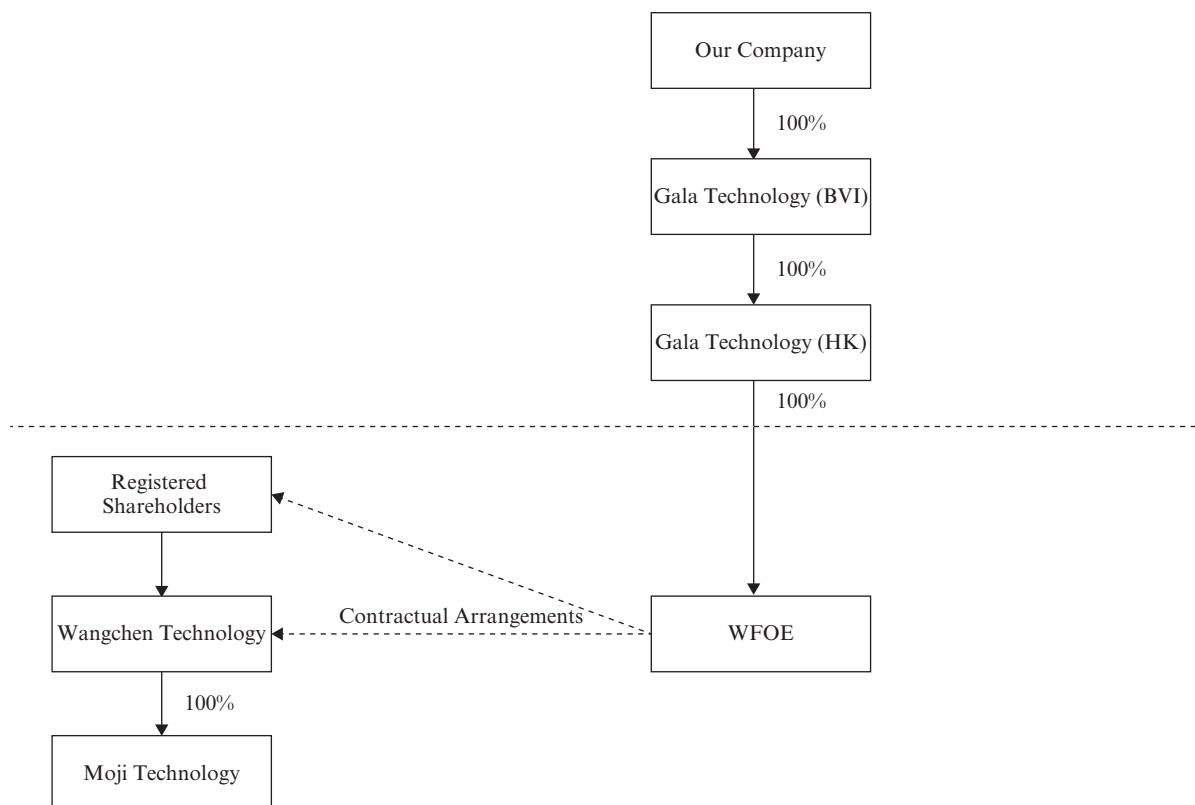
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Overview

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, we have determined that it was not viable for our Company to hold our PRC Operating Entities directly through equity ownership. Instead, we have decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions and prohibitions, we would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by our PRC Operating Entities through the Contractual Arrangements between WFOE, on the one hand, and Wangchen Technology and the Registered Shareholders of Wangchen Technology, on the other hand. In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we implemented the Contractual Arrangements with regards to our PRC Operating Entities.

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The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group as stipulated under the Contractual Arrangement.



Notes:

1. WFOE provides technical support, consulting services and other services in exchange for service fees from Wangchen Technology. See section headed “— Our Contractual Arrangements — Exclusive Business Cooperation Agreement”.
2. The Registered Shareholders executed the exclusive option agreement in favour of WFOE, for the acquisition of all or part of the equity interests and/or assets in Wangchen Technology. See section headed “— Our Contractual Arrangements — Exclusive Option Agreement”.
3. The Registered Shareholders executed powers of attorney in favor of WFOE, for the exercise of all shareholders’ rights in Wangchen Technology. See section headed “— Our Contractual Arrangements — Powers of Attorney”.
4. The Registered Shareholders granted first priority security interests in favor of WFOE, over the entire equity interests in Wangchen Technology. See section headed “— Our Contractual Arrangements — Equity Pledge Agreement”.
5. The spouse of each of Mr. Jia, Mr. Huang, Mr. Li Xin and Mr. Ma Guolin (each being a Registered Shareholder who is an individual and has a spouse) (the “**Relevant Individual Shareholders**”) executed an undertaking in favour of WFOE, See section headed “— Our Contractual Arrangements -Spouse Undertakings”.

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Summary of the agreements under the Contractual Arrangements and other key terms thereunder

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

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated May 13, 2021 entered into between WFOE and Wangchen Technology (the “**Exclusive Business Cooperation Agreement**”), Wangchen Technology agreed to engage WFOE as its exclusive services provider, including but not limited to, technical support, development, maintenance and update of software, business management consultation, marketing and promotion services, leasing, assignment or disposal of equipment or properties, and other services. In exchange for these services, Wangchen Technology shall pay a service fee, which shall consist of 100% of the total consolidated profit of Wangchen Technology, after the deduction of any accumulated deficit of Wangchen Technology and its affiliated entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.

During the term of the Exclusive Business Cooperation Agreement, WFOE enjoys all the economic benefits in relation to Wangchen Technology’s business operation and shall not be held legally responsible for Wangchen Technology’s debt or other obligations and risks. WFOE may provide Wangchen Technology with financial assistance by way of bank entrusted loans or other loans, and enter into separate agreements where necessary.

The Exclusive Business Cooperation Agreement also provides that WFOE has the exclusive and proprietary ownership, rights and interests in all intellectual properties arising out of or created during the performance of the Exclusive Business Cooperation Agreement. In addition, without the prior written consent of WFOE, Wangchen Technology shall not, during the term of the Exclusive Business Cooperation Agreement, directly or indirectly accept the same or any similar services provided by any third party which are covered by the Exclusive Business Cooperation Agreement nor shall Wangchen Technology establish cooperation relationships similar to those established by the Exclusive Business Cooperation Agreements with any third party. WFOE may appoint other parties for the provision of the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in advance in writing by the WFOE; or (c) renewal of the business operation term of either the WFOE or Wangchen Technology is not approved or consented by the relevant governmental authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon expiry of that business operation term.

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Exclusive Option Agreement

Pursuant to the Exclusive Option Agreement dated May 13, 2021 entered into between WFOE, Wangchen Technology and the Registered Shareholders (the “**Exclusive Option Agreement**”), WFOE has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in Wangchen Technology at any time and from time to time in WFOE’s sole and absolute discretion to the extent permitted by PRC laws. The consideration shall be the lowest price as permitted under applicable PRC laws.

The Registered Shareholders and Wangchen Technology, among other things, have undertaken that:

- without the prior written consent of WFOE, they shall not in any manner supplement, change or amend the articles of association of Wangchen Technology, increase or decrease their registered capital, or change the structure of its registered capital in other manner, if the Registered Shareholders increase their capital injection into Wangchen Technology, the Registered Shareholders undertake and confirm that the additional equity shall be subject to Call Option;
- they shall maintain Wangchen Technology’s corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- without the prior written consent of WFOE, they shall not, and shall procure its subsidiaries not to sell, transfer, mortgage or dispose of in any manner any assets, business, operation rights, legitimate interest in the income of Wangchen Technology;
- without the prior written consent of WFOE, Wangchen Technology shall not incur, inherit, guarantee or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans;
- they shall always operate all of Wangchen Technology’s businesses during the ordinary course of business to maintain its asset value and refrain from any action or omission that may adversely affect Wangchen Technology’s operating status and asset value;
- without the prior written consent of WFOE, they shall not cause Wangchen Technology to execute any major contract except the contracts in the ordinary course of business;
- without the prior written consent of WFOE, they shall not cause Wangchen Technology to provide any person with any loan or credit or any security or guarantee for indebtedness of any third party;

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- they shall provide WFOE with information on Wangchen Technology’ business operations and financial condition at the request of WFOE;
- if requested by WFOE, they shall procure and maintain insurance in respect of Wangchen Technology’s assets and business from an insurance carrier acceptable to WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit Wangchen Technology to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Wangchen Technology’s assets, business or revenue;
- to maintain the ownership by Wangchen Technology of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of WFOE, Wangchen Technology shall not in any manner distribute dividends to their shareholders, provided that upon the written request of WFOE, Wangchen Technology shall immediately distribute all distributable profits to its shareholders;
- at the request of WFOE, they shall appoint any persons designated by WFOE as the directors, supervisor and senior management of Wangchen Technology, and/or remove any incumbent director, supervisor and senior management of Wangchen Technology, and perform all relevant resolutions and filing procedures relating thereto. WFOE has the right to demand the Registered Shareholders and Wangchen Technology to make such replacement;
- without the written consent of WFOE, Wangchen Technology shall not engage in any business in competition with WFOE or its affiliates; and
- unless otherwise mandatorily required by PRC laws, Wangchen Technology shall not be dissolved or liquidated without prior written consent by WFOE;
- in the event that any shareholder of Wangchen Technology or Wangchen Technology fails to comply with its tax obligations under the applicable laws that hinders the exercise of the Equity Interest Purchase Option by WFOE, WFOE is entitled to demand Wangchen Technology or its shareholders to comply with the tax obligations; and

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- the Registered Shareholders and Wangchen Technology shall procure the subsidiaries of Wangchen Technology to comply with the covenants applicable to Wangchen Technology as prescribed in this Section where applicable, as such subsidiaries are the Wangchen Technology under the relevant provisions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of WFOE, they shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Wangchen Technology held by the Registered Shareholders or allow the encumbrance to be created thereon, except for the interest placed in accordance with the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney;
- without the prior written consent of WFOE, the Registered Shareholders shall cause the shareholders’ meeting and/or the directors (or the executive directors) of Wangchen Technology not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Wangchen Technology held by the Registered Shareholders, or allow the encumbrance thereon of any security interest, except for the interest placed in accordance with the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney;
- without the prior written consent of WFOE, the Registered Shareholders shall cause the shareholders’ meeting or the directors (or the executive director) of Wangchen Technology not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;
- they shall immediately notify WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Wangchen Technology held by the Registered Shareholders;
- they shall cause the shareholders’ meeting or the directors (or the executive directors) of Wangchen Technology to vote in favour of the transfer of equity interests pursuant to the Exclusive Option Agreement and take any and all other actions that may be requested by WFOE;
- to the extent necessary to maintain their ownership in Wangchen Technology, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defences against all claims;
- they shall appoint any designee of WFOE as the director and senior management of Wangchen Technology, at the request of WFOE;

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- they shall not execute any document or make any commitment that conflicts of interest with Wangchen Technology and/or its subsidiaries or WFOE and its designees in the performance of the agreement and other legal documents; or shall not cause any conflict of interest between WFOE and its shareholder by act or omission. In case of such conflict of interest (WFOE has the right to unilaterally decide whether such conflict of interest occurs), they shall take measures to eliminate it as soon as possible with the consent of WFOE or its designees. If they refuse to take measures to eliminate the conflict of interest, WFOE has the right to exercise the options under this Exclusive Option Agreement;
- they shall give consent to execution by each other shareholder of Wangchen Technology with WFOE and Wangchen Technology the exclusive option agreement, the equity interest pledge agreement and the power of attorney similar to the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney and undertake not to take any action in conflict with such documents executed by the other shareholders; with respect to the transfer of equity interest of Wangchen Technology by any of the other shareholders of Wangchen Technology to WFOE and/or the Designee(s) pursuant to such shareholder's exclusive option agreement, they waive all of their right of first refusal (if any);
- they shall promptly donate any profit, interest, dividend or proceeds of liquidation to WFOE or any other person designated by WFOE to the extent permitted by the PRC law;
- they shall strictly abide by the provisions of the Exclusive Option Agreement and other contracts jointly or separately executed by and among WFOE, the Registered Shareholders and Wangchen Technology, perform the obligations hereunder and thereunder, and refrain from any action or omission that may affect the effectiveness and enforceability thereof. To the extent that the Registered Shareholders have any remaining rights with respect to the equity interests subject to the Exclusive Option Agreement or under the Equity Pledge Agreement or under the Power of Attorney, the Registered Shareholders shall not exercise such rights except in accordance with the written instructions of WFOE.

The Registered Shareholders have also undertaken that they will donate to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests in Wangchen Technology after deducting/withholding the relevant taxes (if any) pursuant to applicable laws of China, to WFOE or the Designee(s) of WFOE for free within ten (10) days after Wangchen Technology receives the Equity Interest Purchase Price and pays/withholds the relevant taxes (if any).

The Exclusive Option Agreement shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in Wangchen Technology have been transferred to WFOE or its appointee(s).

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Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement dated May 13, 2021 entered into between WFOE, Wangchen Technology and the Registered Shareholders (the “**Equity Pledge Agreement**”), the Registered Shareholders agreed to pledge all of their respective equity interests in Wangchen Technology to WFOE as collateral security for any and all of the secured indebtedness under the Contractual Arrangements and for securing the performance of their obligations under the Contractual Arrangements. During the pledge period, WFOE is entitled to receive any dividends or other distributable benefits arising from the equity interests in Wangchen Technology held by the Registered Shareholders.

The pledge in favour of WFOE takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Wangchen Technology under the Contractual Arrangements have been fully performed and all the secured indebtedness of the Registered Shareholders and Wangchen Technology under the Contractual Arrangements have been fully paid.

Upon the occurrence of an event of default (as stipulated in the Equity Pledge Agreement) and unless it is successfully resolved to WFOE’s satisfaction within 20 days after WFOE delivers a notice to the Registered Shareholders and/or Wangchen Technology requesting rectification of such event of default, WFOE shall have the right to require the Registered Shareholders to immediately pay all outstanding amounts due under the Contractual Arrangements and/or dispose of the pledged equity interest to repay any outstanding amounts due to WFOE.

As of the Latest Practicable Date, the pledges under the Equity Pledge Agreement have been registered.

Powers of Attorney

The Registered Shareholders have executed powers of attorney dated May 13, 2021 (the “**Powers of Attorney**”), pursuant to which the Registered Shareholders irrevocably appointed WFOE and its appointees (including but not limited to the directors of WFOE and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) as their exclusive agents and attorneys-in-fact to act on their behalf on all matters concerning Wangchen Technology and to exercise all of their respective rights as a registered shareholder of Wangchen Technology in accordance with the PRC laws and the articles of association of Wangchen Technology. These rights include the rights (i) to propose, convene and attend shareholders’ meetings of Wangchen Technology; (ii) to receive any notice of the convening the shareholder’s meeting and related discussion procedure; (iii) to represent the Registered Shareholders in executing and delivering any written resolution as a shareholder; (iv) to vote on any matters discussed in the shareholders’ meetings (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of Wangchen Technology) personally or by proxy; (v) to sell, transfer, pledge or otherwise dispose of any or all equity interests in Wangchen Technology held by the Registered Shareholders; (vi) to nominate, elect, designate or appoint and remove the legal representative, directors, general manager,

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chief financial officer, supervisors and other senior officers of Wangchen Technology; (vii) to supervise the operating performance of Wangchen Technology, approve annual budget of Wangchen Technology or declare dividends, and inspect financial information of Wangchen Technology at any time; (viii) to represent a shareholder to execute and deliver any written resolutions and minutes; (ix) to approve Wangchen Technology to submit any registration documents to competent government authorities; (x) to represent the shareholders to exercise voting rights with regards to the liquidation matters of Wangchen Technology; (xi) the Registered Shareholders agree and undertake that, in the event of dissolution or liquidation of Wangchen Technology, firstly, WFOE and/or its authorized person is entitled to all the shareholder’s rights on the Registered Shareholders’ behalf, including but not limited to making resolutions on any dissolution or liquidation of Wangchen Technology, appointing and delegating members of the liquidation group and/or their proxy, approving liquidation plan and liquidation report; secondly, the Registered Shareholders agree to transfer total assets that the Registered Shareholders should acquire and have acquired as a shareholder of our Company during corporate dissolution and liquidation to WFOE or its designated person without consideration, and direct the liquidation group to directly deliver the assets aforementioned to WFOE and/or its designated person; thirdly, in case the aforementioned transfer shall include consideration under the then applicable PRC laws, apart from transfer with consideration and direct delivery of the assets, the Registered Shareholders further agree to return the consideration in full amount to WFOE and/or its designated person in an appropriate way to ensure that WFOE and/or its designated person would not suffer any losses; (xii) when the directors or managers of Wangchen Technology act in manner harming the interests of Wangchen Technology or its shareholders, to file a lawsuit against such directors or managers as a shareholder or take other legal actions; (xiii) to approve amendments to the articles of association of Wangchen Technology; and (xiv) to exercise any other rights vested in the shareholder by the articles of association of Wangchen Technology or relevant laws and regulations.

Each of the Registered Shareholders has undertaken that it will not undertake any action in violation of the purpose or intent of the Contractual Arrangements and Power of Attorney, and will refrain from any action or omission that may cause any conflict of interest between WFOE and Wangchen Technology or its subsidiaries. Each of the Registered Shareholders has further undertaken that, without the prior written consent of WFOE, it will not use any information obtained from Wangchen Technology to engage in any business which competes or potentially competes with Wangchen Technology or its affiliates.

The Powers of Attorney shall be irrevocable and remain effective for so long as each Registered Shareholder holds equity interest in Wangchen Technology.

Confirmations from the Relevant Individual Shareholders

Each of the Relevant Individual Shareholders has confirmed to the effect that (i) his/her spouse is aware of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the Power of Attorney; (ii) his Shareholding is his personal property and does not have constitute joint property; (iii) his spouse agrees that he has the right to claim

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any interests handle his shareholding at his sole discretion without consent of his spouse and to enjoy the rights and perform the obligations under the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the Power of Attorney by himself. If his spouse and he get divorced, the equity interest in the Domestic Company held by him is his personal property and does not constitute the joint property of his spouse and him, and he will take measures to ensure the performance of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the Power of Attorney and will not take any actions in violation of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the Power of Attorney; and (iv) in the event of his/her death, incapacity or any other event which causes his/her inability to exercise his shareholder’s rights in Wangchen Technology, his successors will inherit all his rights and obligations under this Power of Attorney.

Spouse Undertakings

The spouse of each of the Relevant Individual Shareholders, where applicable, has signed an undertaking dated May 13, 2021 (the “**Spouse Undertakings**”) to the effect that (i) the respective Relevant Individual Shareholder’ interests in the respective Registered Shareholder (together with any other interests therein) do not fall within the scope of communal properties,(ii) he/she has no right to or control over such interests of the respective Relevant Individual Shareholder and will not have any claim on such interests; (iii) confirms that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her; and (iv) 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 the Wangchen Technology, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly preformed.

Other Key Terms under the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the South China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules and procedures. The arbitration shall be conducted in Shenzhen. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitration tribunal may award any remedies including injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of Wangchen Technology and order the winding up of Wangchen Technology. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek and the Court with competent jurisdiction shall have power to grant preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate

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the arbitration. The Parties agree that the courts of Hong Kong, Cayman Islands, China and the place where the principal assets of Wangchen Technology are located shall all be deemed to have competent jurisdiction.

However, our PRC Legal Adviser has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitration tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Wangchen Technology pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Wangchen Technology or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Entities and conduct our business could be materially and adversely affected. See the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements” in this document for further details.

Conflict of Interest

Each of the Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “— Powers of Attorney” above.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Relevant Individual Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the Civil Code of the PRC, the successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, WFOE may enforce its rights against the successors. Pursuant to the Contractual Arrangements, any heir of the Individual Shareholders shall inherit any and all rights and obligations of the Individual Shareholders under the Contractual Arrangements as a result of their death, loss of capacity, or under other circumstances which would affect their exercise of right as Registered Shareholders of Wangchen Technology, as if such heir was a signing party to such Contractual Arrangements.

According to the terms of the Exclusive Option Agreement, each of the Relevant Individual Shareholders has undertaken, in the event of death or loss of capacity or any other events that could possibly affect his/her exercise of the rights and obligations in Wangchen Technology, his/her successor or such person designated as his/her successor in the undertakings of the Relevant Individual Shareholders shall be deemed to be a party to the Contractual Arrangements and shall assume all the rights and obligations of the Individual Shareholders under the Contractual Arrangements.

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Based on the foregoing, our PRC Legal Adviser is of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of loss of capacity, death, bankruptcy (if applicable), or divorce of the Relevant Individual Shareholders; and (ii) the loss of capacity, death, bankruptcy (if applicable) or divorce of the Relevant Individual Shareholders would not affect the validity of the Contractual Arrangements, and WFOE may enforce its rights under the Contractual Arrangements against the successors of such shareholders.

Loss sharing

Under the relevant PRC laws and regulations, neither our Company nor WFOE is legally required to share the losses of, or provide financial support to, our PRC Operating Entities. Our PRC Operating Entities are also limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. WFOE intends to continuously provide to or assist our PRC Operating 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 PRC Operating Entities, which hold the requisite 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 PRC Operating Entities suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of WFOE, Wangchen Technology shall not, among others, (i) sell, transfer, mortgage or dispose of in any manner any of its assets, business, operation rights, legitimate interest in the income of Wangchen Technology; (ii) execute any contract except the contracts executed in the ordinary course of business of Wangchen Technology; (iii) provide any person with any loan or credit or provide any security or guarantee for indebtedness of any third party; (iv) in any manner supplement, change or amend the articles of association of Wangchen Technology, increase or decrease their registered capital, or change the structure of the registered capital in other manner; (v) cause or permit Wangchen Technology to merge, consolidate with, acquire or invest in any person; (vi) in any manner distribute dividends to their shareholders unless upon the written request of WFOE; and (vii) engage in any business in competition with WFOE or its affiliates. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on WFOE and our Company in the event of any loss suffered from Wangchen Technology 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 Wangchen Technology shall give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

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Insurance

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

Our confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the PRC Operating Entities under the Contractual Arrangements.

Circumstances under which we will adjust or unwind the Contractual Arrangements

If the relevant business is no longer falling in the catalog of prohibitions or restrictions or certain conditions and permission of foreign investment access required under the applicable laws, and we can legally operate our business under PRC laws, regulations and policies, the WFOE will exercise the call option under the Exclusive Option Agreement to acquire the equity interest/assets of Wangchen Technology and unwind the Contractual Arrangements subject to any application or approval procedures and the approval by the relevant governmental authorities.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Adviser has advised that, upon execution of the Contractual Arrangements:

- (a) each agreement under the Contractual Arrangements is governed by PRC laws and has been executed properly by each party;
- (b) each of the agreements comprising the Contractual Arrangements is valid, legal and binding under PRC laws, except for: (1) the dispute resolution provision which states that (i) the arbitration tribunal may award any remedies, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or mandating the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interests or assets of Wangchen Technology and awards ordering the winding up of Wangchen Technology; (ii) to the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek and the Court with competent authority shall have power to grant, preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration; and (iii) without violating the applicable governing laws, the courts of Hong Kong, Cayman Islands (being the place of incorporation of our Company), Shenzhen (being the place of incorporation of Wangchen Technology) and other jurisdiction (being the place where the principal assets of Wangchen Technology or our Company are located) shall be deemed to have competent jurisdiction. Our PRC Legal Adviser has

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advised that the aforementioned dispute resolution provisions may not be enforceable under PRC laws; and (2) the provision that provides that (i) in the event of dissolution or liquidation of Wangchen Technology, each registered shareholders shall transfer total assets that they should acquire and have acquired as shareholders of Wangchen Technology during corporate dissolution and liquidation to WFOE or its designated person without consideration, and direct the liquidation group to directly deliver the assets aforementioned to WFOE and/or its designated person; (ii) in case the aforementioned transfer shall include consideration under the then applicable PRC laws, apart from transfer with consideration and direct delivery of the assets, those registered shareholders agree to return the consideration in full amount to WFOE and/or its designated person in an appropriate way to ensure that WFOE and/or its designated person would not suffer any losses. Our PRC Legal Adviser has advised that the aforementioned provision may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation;

- (c) parties to each of the agreements comprising the Contractual Arrangements have the power and capacity to execute the agreements and perform their respective obligations thereunder. Each of the agreements comprising the Contractual Arrangements is binding on the parties thereto and none of them violates the provisions of “violating any mandatory provisions of laws or administrative regulations”, “malicious collusion is conducted to damage others’ legitimate rights and interests” or “offending public order or good morals” as stipulated in the Civil Code of the PRC;
- (d) none of the Contractual Arrangements violates any provisions of the articles of association of Wangchen Technology or WFOE;
- (e) the execution, delivery, effect and implementation of each of the Contractual Arrangements have obtained all required approvals, authorisations or consents from the PRC governmental authorities and such approvals, authorisations or consents continue to be in effect, except that:
 - (i) any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with local administration for market regulation;
 - (ii) the disposal of any share pledged under the Equity Pledge Agent is subject to the approvals and/or registration with the PRC regulatory authority;
 - (iii) the transfer or license of intellectual property under the Contractual Arrangements are subject to registration with the PRC regulatory authorities;
 - (iv) the exercise of the options to acquire the equity interests or assets under the Exclusive Option Agreement in the future are subject to the relevant approvals, registration or filings with the PRC regulatory authorities as applicable; and

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- (v) the arbitration awards/injunctive remedies provided under the dispute resolution provisions of the Contractual Arrangements shall be recognized by PRC courts before these awards or remedies can be proceeded.

However, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Adviser.

Notwithstanding the foregoing, on May 26, 2020, representatives of our Sponsor, our PRC Legal Advisers and the Sponsor’s PRC legal advisers consulted Shenzhen Communications Administration. Our PRC Legal Adviser has advised us that (i) Shenzhen Communications Administration is the competent government authority for our Company’s principal business activities; and (ii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid or under the applicable PRC laws and regulations and would not be challenged or subject to penalty for any violation of relevant PRC Laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisers, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements”.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of PRC Operating Entities

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, Wangchen Technology shall pay services fees to WFOE. The services fee shall consist of 100% of the total consolidated profit of Wangchen Technology, after the deduction of any accumulated deficit of Wangchen Technology and its affiliated entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. WFOE has the right to periodically receive or inspect the accounts of the PRC Operating Entities.

In addition, under the Exclusive Option Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as WFOE’s prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the services fee under the Exclusive Business Cooperation Agreement, such income, profit distribution or dividend to WFOE or any other person designated by WFOE to the extent permitted under applicable PRC laws. Because of the Contractual Arrangements between WFOE, Wangchen Technology and the Registered Shareholders, WFOE can effectively control, recognize and receive substantially all the economic benefit of the business and operations of the PRC Operating Entities. Accordingly, the PRC Operating Entities are treated as controlled structured entities of our

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Company and consolidated by our Company. The basis of consolidating the results of the PRC Operating Entities is disclosed in Note 2.2(a) to the Accountant’s Report set out in Appendix I to this document.

OUR DIRECTORS’ VIEW

Based on the above, our Directors 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 and prohibitions in the PRC. Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were negotiated on an arm’s length basis and entered into between the WFOE and our PRC Operating Entities; (ii) by entering into the Exclusive Business Cooperation Agreement with WFOE, which is our subsidiary incorporated in PRC, our PRC Operating Entities will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Foreign Investment Law

The PRC Foreign Investment Law (the “FIL”) became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). The FIL constitutes the legal foundation for foreign investment in the PRC. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, China adopts a system of national treatment plus Negative List with respect to foreign investment administration, and the Negative List will be issued (or approved to be issued) by the State Council, from time to time. The Negative List sets out the industries in which foreign investments are prohibited or restricted. Foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the Negative List shall be treated equally. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”) which became effective on January 1, 2020. The Implementation Regulations provide that foreign investments in sectors on the Negative List shall comply with special management measures in respect of shareholding, senior management personnel and other matters stipulated under the Negative List.

The FIL defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Our PRC Legal Adviser confirmed that the FIL does not specify contractual

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arrangements as a form of foreign investment. In that regard, if there are no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of Contractual Arrangements, the FIL will not have a material impact on the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected. See “Risk Factors — Risks Relating to Our Contractual Arrangements” for further details of the risks we face relating to our Contractual Arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.