
CONTRACTUAL ARRANGEMENTS

BACKGROUND

The Catalog, which was promulgated and amended from time to time jointly by the MOFCOM and the NDRC, and the Negative List, the latest amended version of which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect from January 1, 2022, stipulate industries in which foreign investment is restricted and prohibited, and all industries not [REDACTED] under these categories are deemed to be permitted.

As advised by our PRC Legal Advisors, a summary of our businesses that are subject to foreign investment restriction or prohibition in accordance with the Negative List and other applicable PRC laws and regulations (collectively the “**Relevant Businesses**”) is set out below:

Categories	Relevant Businesses
VATS	<p>The business of Ophyer Technology involves the provision of telecommunication and information services through our marketing business conducted online under our AR/VR marketing services business segment, the process of which involves Ophyer Technology, working with media platforms and their agents, developing and customizing the AR/VR interactive content via our Wanjie Smart Marketing Platform and placing advertisements based on such content. In the process, AR/VR interactive content is generated using modules and programs in Ophyer Technology’s web servers in which marketing content is stored and accessed through links, and Ophyer Technology charges fees from customers based on the performance effect of the marketing effort. Such process falls within the scope of VATS.</p> <p>Ophyer Technology, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi each holds an ICP License for the provision of Internet contents, and Ophyer Technology also holds a SP License for the provision of information services.</p> <p>During the Track Record Period, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi had not commenced business that falls within the scope of VATS.</p>

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Categories	Relevant Businesses
	<p>According to the Negative List, 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)》) last amended by the State Council on February 6, 2016 and the 2022 Decision, foreign investors are restricted from holding over 50% equity interest in an entity conducting such business.</p>
Production and operation of radio and television programs	<p>Apart from its principal business in promotion services, the business of Zhongrunxing involves the production of animation videos, which falls within the scope of production and operation of radio and television programs services.</p> <p>Zhongrunxing holds a radio and television programs production business license (the “TPPB License”) for such business issued by the Beijing Municipal Radio and Television Bureau (the “BRTB”).</p> <p>During the Track Record Period, Zhongrunxing had not conducted business that falls within the scope of such business and no revenue was derived from such business.</p> <p>According to the Negative List and the Administrative Provisions for the Production and Operation of Radio and Television Programs 《廣播電視節目製作經營管理規定》 last amended by the National Radio and Television Administration on July 19, 2004, foreign investors are prohibited from investing in such business.</p>

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VATS BUSINESS

Our PRC Legal Advisors advised that, under the Negative List, the Internet information services, a subcategory of the VATS Business, fall under the category of restricted businesses, and hence foreign investors are restricted from holding more than 50% equity interests in companies providing such business and must satisfy certain qualification requirements. Further, investment in “production and operation of radio and television programs” is still prohibited. During the Track Record Period, the AR/VR marketing services business was our largest source of revenue and primarily comprised AR/VR marketing business conducted online, which is subject to foreign investment restrictions as described above. The principal businesses of our Group also involve the provision of AR/VR content, AR/VR SaaS, IP and other services (the “**Non-restricted Businesses**”), which are not subject to any foreign investment restrictions as these services are not listed under the restricted or prohibited category under the Negative List. Notwithstanding the foreign investment restrictions as described above, we are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. Ophyer Technology is engaged in the VATS Business and possesses the ICP License and the SP License, which are required to carry on the VATS Business.
2. On June 23, 2021, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted a consultation with the MIIT (the “**2021 MIIT Consultation**”), the MIIT advised that (i) whether a sino-foreign joint venture or a wholly-foreign-owned enterprise can hold the ICP License and the SP License depends on whether the foreign investors have fulfilled the VATS Qualification Requirements; (ii) there are no detailed rules and standards for the VATS Qualification Requirements; (iii) even if Ophyer Technology introduces a foreign investor and such foreign investor in fact possesses the VATS Qualification Requirements, due to the lack of specific guidelines and approval procedures and/or other policy reasons for the VATS Qualification Requirements, the ICP License and the SP License will not be granted to Ophyer Technology; and (iv) foreign investors’ fulfillment of the VATS Qualification Requirements remains ultimately subject to substantive examination of the MIIT which will be analyzed and determined on a case-by-case basis.

On July 7, 2022, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted a phone inquiry with the MIIT through service hotline (the “**2022 MIIT Consultation**”) and relevant MIIT staff confirmed that, (i) while the 2022 Decision has come into effect, which repeals the VATS Qualification Requirements, there are no detailed regulations or guidelines available for the foreign-invested enterprises to apply

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for an ICP License or SP License at the current stage, (ii) regulations issued by the MIIT including the 2022 Decision which may affect the effectiveness of a VIE structure are currently not available.

Our PRC Legal Advisors are of the view that the 2021 MIIT Consultation and the 2022 MIIT Consultation were made with the competent officers who have the appropriate authority, and the MIIT is the competent and ultimate authority to give the relevant confirmations. Based on the current regulations and policy mainly issued and implemented by the State Council and the MIIT, prudential and consistent practices of competent authorities regarding foreign-invested enterprises engaged in telecommunications business and as explained by the MIIT during the 2022 MIIT Consultation, our PRC Legal Advisors advised that (i) the 2022 Decision does not impose any additional requirements or restrictions on enterprises which have already obtained the VATS business operating license and the above regulatory changes would not affect the validity and the legality of our ICP License and SP License; (ii) even though the VATS Qualification Requirements were repealed, given that there were still no detailed regulations or guidelines available for foreign investment in the VATS business in the PRC, an application by a foreign-invested enterprise for ICP License or SP License will not be approved in practice until detailed regulations or guidelines are issued; and (iii) the 2022 Decision does not have a material adverse impact on our business operations.

Therefore, from the perspective of operating our existing business in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC Government authorities and as advised by our PRC Legal Advisors, it is not feasible for us to hold any equity interest in our Consolidated Affiliated Entities to operate the VATS business.

3. The majority of the service contracts with our customers to whom we provide Non-restricted Businesses (the “**Non-restricted Business Customers**”) shall expire upon or will expire within 12 months from the date of the [REDACTED]. For the service contracts that subsist after the [REDACTED], except for those set out in 4 to 7 below, we have entered into new or supplemental service contracts with these customers to transfer the contracts of the Non-restricted Businesses entered into by the Consolidated Affiliated Entities from the Consolidated Affiliated Entities to Beijing Flowing Cloud. The table below sets forth the results of our communication with the Non-restricted Business Customers as of the Latest Practicable Date.

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Type of Non-restricted Businesses	Number of contracts not transferred	Number of contracts transferred	Revenue contribution of Non-restricted Businesses under contracts transferred for the year ended December 31, 2021 ^(Note)	Gross profit contribution of Non-restricted Businesses under contracts transferred for the year ended December 31, 2021 ^(Note)	Value and revenue contribution of Non-restricted Businesses under contracts not transferred as of the Latest Practicable Date
AR/VR content	15 (see (4) below for further details)	one	— Amount: approximately RMB19,000 — Contribution to total revenue: approximately 0.003% — Contribution to total Non-restricted Businesses revenue: approximately 0.01%	— Amount: approximately RMB19,000 — Contribution to total gross profit: approximately 0.01% — Contribution to total Non-restricted Businesses gross profit: approximately 0.02%	— Value of revenue contracts: approximately RMB85.8 million — Revenue already recognized: RMB84.8 million
AR/VR SaaS	193 (see (5) below for further details)	one	— Amount: approximately RMB6.2 million — Contribution to total revenue: approximately 1.04% — Contribution to total Non-restricted Businesses revenue: approximately 1.65%	— Amount: approximately RMB6.2 million — Contribution to total gross profit: approximately 3.49% — Contribution to total Non-restricted Businesses gross profit: approximately 7.01%	— Value of revenue contracts: approximately RMB1.3 million — Revenue already recognized: approximately RMB1.2 million
IP	30 (see (6) below for further details)	one	— Amount: Nil — Contribution to total revenue: Nil — Contribution to total Non-restricted Businesses revenue: Nil	— Amount: Nil — Contribution to total gross profit: Nil — Contribution to total Non-restricted Businesses gross profit: Nil	— Value of revenue contracts: approximately RMB59.1 million — Revenue already recognized: RMB59.1 million
Others	2 (see (7) below for further details)	one	— Amount: Nil — Contribution to total revenue: Nil — Contribution to total Non-restricted Businesses revenue: Nil	— Amount: Nil — Contribution to total gross profit: Nil — Contribution to total Non-restricted Businesses gross profit: Nil	— Value of revenue contracts: approximately RMB1.0 million — Revenue already recognized: Nil

Note:

The figures are based on the unaudited management accounts of the Group.

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4. As of the Latest Practicable Date, the Consolidated Affiliated Entities had 15 content cooperation contracts regarding the provision of our AR/VR content services, of which two will expire on December 31, 2022, but Ophyer Technology had fulfilled its obligations thereunder. As advised by our PRC Legal Advisors, the transfer of these contracts from the Consolidated Affiliated Entities to Beijing Flowing Cloud is not necessary. Three contracts will expire before August 21, 2023, but the counter-party to this contract refused to enter into a new contract with Beijing Flowing Cloud as they have specific requirements for the establishment period and performance of the contracting party. For the remaining 10 contracts, as advised by our PRC Legal Advisors, (i) the performance of the obligations by the respective parties (including the provision of video content or AR/VR content and payment) under these contracts have all been completed; and (ii) these contracts subsist after the [REDACTED] only because the content authorization periods have not yet expired, which will all expire between July 31, 2023 and February 4, 2026. Accordingly, as advised by our PRC Legal Advisors, the transfer of these contracts from the Consolidated Affiliated Entities to Beijing Flowing Cloud is also not necessary.
5. As of the Latest Practicable Date, the Consolidated Affiliated Entities had 193 contracts regarding provision of our AR/VR SaaS services. The 193 subscription contracts are short term contracts that will mostly expire in one year from the date of the contracts. As advised by our PRC Legal Advisors, all of these subscription contracts will expire by December 1, 2022. During the Track Record Period, the revenue generated from our AR/VR SaaS services business was immaterial to us. Our Directors confirm that the revenue to be generated from these AR/VR SaaS services contracts will remain immaterial after the [REDACTED], and the Consolidated Affiliated Entities will not enter into any new contract regarding the provision of our AR/VR SaaS services.
6. As of the Latest Practicable Date, the Consolidated Affiliated Entities had 29 IP licensing contracts and one cooperation agreement regarding the provision of our IP services. As advised by our PRC Legal Advisors, for the 29 IP licensing contracts in force after the [REDACTED], (i) the performance of the obligations by the respective parties (including the licensing of IPs and payment) under these contracts have all been completed; and (ii) these contracts subsist after the [REDACTED] only because the licensing periods have not yet expired and the 29 contracts will all expire between November 14, 2022 and November 1, 2025. Accordingly, as advised by our PRC Legal Advisors, the transfer of these contracts from the Consolidated Affiliated Entities to Beijing Flowing Cloud is not necessary. For the IP cooperation agreement, during the validity period of this agreement, the contracting parties may agree on the relevant arrangements to carry out IP licensing cooperation, and the arrangements which have been agreed upon by the parties have been performed. We have no intention to enter

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into any other further cooperation arrangements with the counterparty under this agreement and we have issued a confirmation letter to confirm that we will not enter into any other further cooperation arrangements with the counterparty under this agreement.

7. As of the Latest Practicable Date, the Consolidated Affiliated Entities had two agreements regarding provision of our other services, of which one will expire before December, 2022 and one will expire on April 8, 2023, but such contracts cannot be transferred from Ophyer Technology to Beijing Flowing Cloud as the counter-party did not agree to transfer the contract from Ophyer Technology to Beijing Flowing Cloud.
8. Our Company expects that all the service contracts regarding Relevant Businesses and the Non-restricted Businesses entered into by the Group will be separately conducted by the Consolidated Affiliated Entities and Beijing Flowing Cloud, respectively, by August 21, 2023. Going forward, all service contracts regarding Relevant Businesses and the Non-restricted Businesses to be entered into by our Group will be separated and conducted by the Consolidated Affiliated Entities and Beijing Flowing Cloud, respectively. For customers that may place order for services under both Relevant Businesses and Non-restricted Businesses, our Company has or will have both Beijing Flowing Cloud and a Consolidated Affiliated Entity listed as signing parties to the service contract separately with each of such customers, and a proper subsidiary of our Company or a Consolidated Affiliated Entity will be assigned to perform under the relevant service contract, to ensure that our business will be conducted in compliance with the “narrowly tailored” requirements for the Contractual Arrangements. Our Company undertakes that it will, as applicable and when necessary, disclose the progress or any updates to the expiration of the service contracts between customers of Non-restricted Businesses and the Consolidated Affiliated Entities in its annual/interim reports or announcements to inform the Shareholders and other investors after the [REDACTED].
9. Each of Beijing Xingshi, Hupo Jinyuan and Shenzhen Huachuang holds an ICP License for future business development. As of the Latest Practicable Date, they had not yet commenced the relevant business operations that falls within the scope of VATS. We undertake that each of Beijing Xingshi, Hupo Jinyuan and Shenzhen Huachuang will only conduct businesses that are considered to fall under the scope of VATS, and Zhongrunxing will only conduct businesses that are considered to fall under the scope of VATS or the production and operation of radio and television programs (which requires a TPPB License). If such future businesses are considered to fall under the “permitted” category of the Negative List, or do not form part of the Negative List, we undertake to obtain confirmation and consent from the relevant authorities and the Stock Exchange,

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and comply with all relevant Listing Rules and guidance letters prior to conducting such businesses under the Contractual Arrangements and where required, to exclude such businesses from the Contractual Arrangements.

VATS Qualification Requirements for foreign investors who invests in VATS in the PRC

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were last amended on February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interest in a company providing the VATS, including services provided under the ICP License and the SP License. In addition, a foreign investor who invests in a VATS business in the PRC must possess the VATS Qualification Requirements. Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the VATS Qualification Requirements. The MIIT issued the latest guidance memorandum on the application requirement for establishing foreign-invested telecommunications enterprises in the PRC on January 15, 2021. According to this guidance memorandum, an applicant is required to provide, among other things, the foreign investor’s satisfactory proof of the VATS Qualification Requirements. The guidance memorandum does not provide clear guidance on the proof, record or document required to support the proof satisfying the VATS Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement with the MIIT.

On July 13, 2006, the Ministry of Information Industry, the predecessor of MIIT, issued the Notice on Strengthening the Administration of Foreign Investment in Operating Value Added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”). The MIIT Notice further strengthened regulation over foreign investment in the VATS, including prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any VATS providers to be held by either the holder of the ICP License and/or the SP License or shareholders of such ICP License and/or the SP License holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the ICP License and/or the SP License holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its ICP License and/or SP License.

Despite the lack of clear guidance or interpretation on the VATS Qualification Requirements, we have been gradually making efforts to build up our track record of overseas VATS business operations for the purpose of being qualified to take up the VATS business, from Ophyer

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Technology, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi, which are permitted to be held by a foreign investor when there is clear guidance or interpretation of the VATS Qualification Requirements or the restrictions in operating and/or holding the relevant license for the VATS are lifted. In particular, we have taken the following measures to meet the VATS Qualification Requirements:

- (i) we have applied for, and are in the process of the registration of registering trademarks in Hong Kong for the promotion of our VATS businesses overseas; and
- (ii) we have incorporated an overseas subsidiary, namely Ophyer HK, for the further development of overseas marketing to optimize our strategic plan for expanding our current businesses to overseas markets.

On June 10, 2021, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted a consultation with the BCA, and on June 23, 2021, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted the 2021 MIIT Consultation. The MIIT confirmed that subject to a substantive examination of the MIIT in accordance with the approval procedures under the PRC laws and regulations on whether our Group has fulfilled the VATS Qualification Requirements, the above measures taken by us are reasonable and appropriate in satisfying the VATS Qualification Requirements. Further, the BCA and the MIIT confirmed that (i) the VIE structure for Ophyer Technology to continue to engage in VATS will not violate the relevant PRC laws and regulations in the field of the telecommunication industry in the PRC; (ii) it is not necessary to obtain consent from, or complete any filing or any procedures with the BCA, the MIIT or their superior units regarding the Contractual Arrangements; and (iii) the Contractual Arrangements will not affect our Group's VATS business, the legal validity of the operation licenses, the subsequent renewal of licenses and other procedures for new applications for licenses.

Accordingly, our PRC Legal Advisors are of the view that the above steps taken by us are reasonable and appropriate in relation to the VATS Qualification Requirements. Based on the foregoing, our Directors are of the view that, subject to the discretion of the competent authorities in determining whether we have fulfilled the VATS Qualification Requirements, the above steps taken by us are generally regarded as the relevant factors in relation to the VATS Qualification Requirements. Although we may not be able to meet the VATS Qualification Requirements in the near future, we will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the VATS Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the [REDACTED]. We will also make appropriate and periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the VATS Qualification Requirements and consider possible measure to be taken to fulfill the VATS Qualification Requirements.

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On March 29, 2022, the State Council promulgated the 2022 Decision which came into effect on May 1, 2022. According to the 2022 Decision, the VATS Qualification Requirements as stipulated in the 2016 Regulations were repealed. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation about the 2022 Decision. On July 7, 2022, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted the 2022 MIIT Consultation and relevant MIIT staff confirmed that, (i) while the 2022 Decision has come into effect, which repeals the VATS Qualification Requirements and there are no detailed regulations or guidelines available for the foreign-invested enterprises to apply for an ICP License or SP License at current stage, (ii) regulations issued by the MIIT including the 2022 Decision which may affect the effectiveness of a VIE structure are currently not available.

Based on the current regulations and policy mainly issued and implemented by the State Council and the MIIT, prudential and consistent practices of competent authorities regarding foreign-invested enterprises engaged in telecommunications business and as explained by the MIIT during the 2022 MIIT Consultation, our PRC Legal Advisors advised that (i) the 2022 Decision does not impose any additional requirements or restrictions on enterprises which have already obtained the VATS business operating license and the above regulatory changes would not affect the validity and the legality of our ICP License and SP License; (ii) even though the VATS Qualification Requirements had been repealed, given that there were still no detailed regulations or guidelines available for foreign investment in the VATS business in the PRC, an application by a foreign-invested enterprise for ICP License or SP License will not be approved in practice until detailed regulations or guidelines are issued; and (iii) the 2022 Decision does not have a material adverse impact on our business operations.

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, (i) there were no clear guidelines, explanations or criteria in respect of the implementation of the 2022 Decision; and (ii) based on the current regulatory requirements, the above regulatory changes would not affect the validity and the legality of our ICP License and SP License and have no adverse impact on our business operations. As of the Latest Practicable Date, we had not received any inquiry or notice from the competent authorities regarding the validity of our ICP License and SP License. We will closely monitor any future development relating to the 2022 Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance.

Our Directors believe that the Contractual Arrangements are fair and reasonable because:

- (i) the Contractual Arrangements were freely negotiated and entered into among, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders;

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- (ii) by entering into the Exclusive Technical Consultation and Services Agreement (as defined below), the Consolidated Affiliated Entities will enjoy better economic and technical support from us; and
- (iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRODUCTION AND OPERATION OF RADIO AND TELEVISION PROGRAMS BUSINESS

Zhongrunxing holds a TPPB License for future business development. During the Track Record Period, Zhongrunxing had not conducted business that falls within the scope of such business and no revenue was derived from business operations requiring such license.

On June 25, 2021 and December 13, 2021, our PRC Legal Advisors conducted verbal consultations with the officer of the Administrative Approval Office (行政審批處) of the BRTB (the “**BRTB Consultation**”), being the competent authority to confirm matters relating to the operation to and application for the TPPB License, which advised that (i) enterprises with foreign ownership is prohibited from holding the TPPB License; (ii) a granted TPPB License will be revoked once an enterprise has any foreign ownership; and (iii) the Contractual Arrangements would not require the consent from the BRTB and would not affect the holding of the TPPB License by our Group. Our PRC Legal Advisors are of the view that (i) the BRTB is the competent authority to give interpretations on the foreign investment restriction on the industry requiring a TPPB License; and (ii) the officer who attended the BRTB Consultation is of appropriate authority to provide such confirmation on behalf of the BRTB; and (iii) the risk of revocation of the TPPB License of Zhongrunxing as a result of the Contractual Arrangements is remote.

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As a result of the foregoing, on December 16, 2021 and May 6, 2022, we entered into the Contractual Arrangements. The Contractual Arrangements allow the financials and results of operations of our Consolidated Affiliated Entities to be consolidated into our financials and results of operations under IFRS as if they were wholly-owned subsidiaries of our Company.

Under the Contractual Arrangements, Zhongrunxing, Hupo Jinyuan and Shenzhen Huachuang are wholly-owned subsidiaries of Ophyer Technology, whereas Beijing Xingshi is held as to 70% and 30% by Ophyer Technology and Weifang Weiting, respectively. As advised by our PRC Legal Advisors, while Weifang Weiting is not a party to the Contractual Arrangements, Weifang Weiting does not have any veto or other rights that might affect the Group’s control over Beijing Xingshi, given Ophyer Technology holds over two-thirds of the voting rights at the shareholders’ level of

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Beijing Xingshi, which allows it to have control over all material matters of Beijing Xingshi. There is no special arrangement or preferential shareholders’ right conferred on Weifang Weiting under the articles of association of Beijing Xingshi.

Accordingly, our PRC Legal Advisors are of the view that Ophyer Technology has acquired effective control over Zhongrunxing, Shenzhen Huachuang, Hupo Jinyuan and Beijing Xingshi under the relevant PRC laws and regulation, and we are able to assert management control over the operations of our Relevant Businesses conducted through Ophyer Technology and its subsidiaries, and to enjoy all economic benefits from Ophyer Technology and its subsidiaries.

The Contractual Arrangements comprise: (i) an exclusive technical consultation and services agreement; (ii) exclusive option agreements; (iii) equity pledge agreements; (iv) shareholders’ rights entrustment agreements and (v) spouse undertakings, which also include, where appropriate, an obligation on Ophyer Technology to procure each of its subsidiaries to strictly comply with the relevant terms of these agreements.

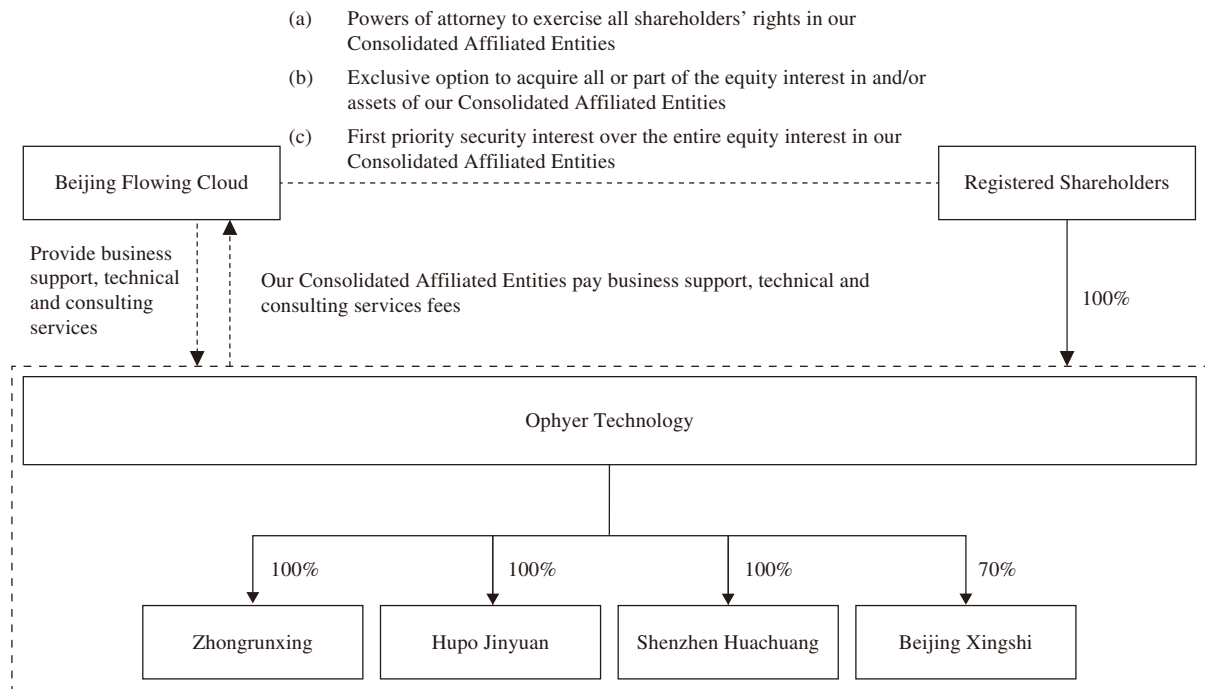
Based on the above, our PRC Legal Advisors are of the view that the Contractual Arrangements can provide sufficient safeguards of the interests of the Shareholders as a whole and the level of protection comparable to direct control over, and recourse against, the operating subsidiaries of Ophyer Technology.

Our Group will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of equity interests permissible under relevant PRC laws and regulations if the relevant government authority grants the relevant licenses to sino-foreign equity joint ventures or wholly foreign-owned enterprises established or to be established by our Company.

Prior to the Reorganization, both Relevant Businesses and Non-restricted Businesses were conducted by our Consolidated Affiliated Entities. As advised by our PRC Legal Advisors, the Non-restricted Businesses are not subject to any foreign investment prohibition or restriction under applicable PRC laws and regulations and thus we had gradually transferred the contracts of our Non-restricted Businesses from our Consolidated Affiliated Entities to Beijing Flowing Cloud. See the paragraph headed “History, Development and Corporate Structure — Reorganization — Contractual Arrangements” in this document for further details. As of the Latest Practicable Date, all transfers (except those set out in sub-paragraphs 4 to 7 under the paragraph headed “VATS Business” above in this section) had been completed.

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



Notes:

- (1) See “— Shareholders’ Rights Entrustment Agreements” for details.
- (2) See “— Exclusive Option Agreements” for details.
- (3) See “— Equity Pledge Agreements” for details.
- (4) See “— Exclusive Technical Consultation and Services Agreement” for details.
- (5) As of the Latest Practicable Date, our Group was principally engaged in the Relevant Businesses through Ophyer Technology. Our Consolidated Affiliated Entities other than Ophyer Technology which had no substantial operation as of the Latest Practicable Date, are planned to operate the Relevant Businesses in the future.
- (6) “—>” denotes direct legal and beneficial ownership in the equity interest.
 “-.->” denotes contractual relationship.

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Exclusive Technical Consultation and Services Agreement

Beijing Flowing Cloud and our Consolidated Affiliated Entities entered into an exclusive technical consultation and services agreement on May 6, 2022 (the “**Exclusive Technical Consultation and Services Agreement**”), pursuant to which our Consolidated Affiliated Entities agreed to engage Beijing Flowing Cloud as their exclusive provider of marketing services, management consultation services, technical services and other services, including but not limited to:

- (a) to provide information consultation services relating to our Consolidated Affiliated Entities’ principal businesses, and provide our Consolidated Affiliated Entities with advices and recommendations on all aspects of business operations;
- (b) to provide corporate management consultation services, taxation and financial management services, information system services and technical services, promoting our Consolidated Affiliated Entities’ corporate standardization and formation of information management system;
- (c) to provide services relating to market research, market surveys, research consultation and judgment, and provide market information;
- (d) to provide the relevant technical support and staff training for business personnel, and provide advices and recommendations on human resources management;
- (e) to provide management and consultation services in relation to daily operation, finance, investment, assets, credits and debts, human resources, internal informatization and other management and consultation services;
- (f) to provide advices and recommendations on the negotiation, execution and performance of material contracts;
- (g) to provide advices and recommendations on the mergers and acquisitions and other expansion plans of our Consolidated Affiliated Entities;
- (h) to provide customer order management and customer services, and assist in formulating customer maintenance plans and maintaining customer relationships;
- (i) to provide marketing and promotion and publicity services;

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- (j) to design, develop, maintain, upgrade and update the corresponding application software required for our Consolidated Affiliated Entities' business;
- (k) to design, install, conduct daily management, maintain and update the computer network system and hardware equipment of our Consolidated Affiliated Entities;
- (l) to provide consultation services in relation to the relevant applications for going through statutory procedures such as all statutory licenses, approvals and permits required for our Consolidated Affiliated Entities to commence operation; and
- (m) other relevant technical services, consultation, operation information, maintenance and management to the extent permitted by laws as requested by our Consolidated Affiliated Entities from time to time.

Pursuant to the Exclusive Technical Consultation and Services Agreement, the service fees shall be equivalent to the total consolidated profit of our Consolidated Affiliated Entities, after offsetting the prior-year losses (if any) and statutory reserve funds (if applicable). Notwithstanding the foregoing, Beijing Flowing Cloud shall have the right to adjust the level of the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of Beijing Flowing Cloud and send the service fee payment notification to our Consolidated Affiliated Entities within 90 days after each fiscal year end for the services provided in the preceding fiscal year. Our Consolidated Affiliated Entities have agreed to pay the service fee after receiving Beijing Flowing Cloud's notification.

In addition, pursuant to the Exclusive Technical Consultation and Services Agreement, without the prior written approval from Beijing Flowing Cloud, our Consolidated Affiliated Entities shall not accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Technical Consultation and Services Agreement with any third party, nor transfer the rights and obligations under the Exclusive Technical Consultation and Services Agreement to any third party.

The Exclusive Technical Consultation and Services Agreement also provides that, (i) all intellectual property rights developed or created during the performance of the Exclusive Technical Consultation and Services Agreement belong to Beijing Flowing Cloud, and (ii) our Consolidated Affiliated Entities shall deal with the intellectual property rights as directed by Beijing Flowing Cloud from time to time, including but not limited to assigning or licensing such rights to Beijing Flowing Cloud or its designee, subject to the laws of the PRC.

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The Exclusive Technical Consultation and Services Agreement is effective from the date of its signing for 10 years, which shall be unconditionally renewed at the request of Beijing Flowing Cloud for 10 years and for an indefinite number of successive 10 years thereafter.

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of our Consolidated Affiliated Entities will flow to Beijing Flowing Cloud and hence, our Group as a whole.

Exclusive Option Agreements

Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders entered into an exclusive option agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an exclusive option agreement on May 6, 2022 (collectively, the “**Exclusive Option Agreements**”, each an “**Exclusive Option Agreement**”), pursuant to which Beijing Flowing Cloud has the exclusive rights to request the Registered Shareholders and Ophyer Technology to transfer all or part of their equity interests in our Consolidated Affiliated Entities and/or to request our Consolidated Affiliated Entities to transfer all or part of its assets to Beijing Flowing Cloud and/or any third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The respective Registered Shareholders and Ophyer Technology have also undertaken that, subject to the relevant PRC laws and regulations, if such minimum purchase price is more than nil consideration, they will return the purchase price they have received in full to Beijing Flowing Cloud and/or a third party designated by it.

Pursuant to the Exclusive Option Agreements, the respective Registered Shareholders and our Consolidated Affiliated Entities unconditionally and irrevocably undertake, without the prior written consent of Beijing Flowing Cloud, including but not limited to the following matters:

- (a) not to supplement, change or amend the articles of association of our Consolidated Affiliated Entities, or change the registered capital or capital structure, in any forms;
- (b) maintain its corporate existence in accordance with good business standard and practices, obtain and maintain all necessary government licences and permits by prudently and effectively operating its business;
- (c) not to sell, transfer, pledge or otherwise deal with any assets (except for assets used during the course of its daily business operations of less than RMB one million), business or revenue or allow to impose any security interest on its assets (except for security interest imposed during the course of its daily business operations);

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- (d) to ensure the valid existence of the Consolidated Affiliated Entities and that the Consolidated Affiliated Entities will not be liquidated or dissolved;
- (e) not to incur, inherit, guarantee or allow the existence of any debt, except for debts generated during the course of its daily business operations or debts disclosed to and agreed by Beijing Flowing Cloud;
- (f) not to perform any actions that may adversely affect our Consolidated Affiliated Entities' business status and asset value;
- (g) not to enter into any material contracts with a contract value of more than RMB one million with any entity except for contracts entered during the course of its daily business operations or entered with Beijing Flowing Cloud and its shareholder or its subsidiaries;
- (h) not to procure our Consolidated Affiliated Entities to lend any loan, or provide guarantee or any other form of guarantee, or any material undertakings for any entity;
- (i) regularly provide Beijing Flowing Cloud with all operations and financial information about our Consolidated Affiliated Entities' business at the request of Beijing Flowing Cloud;
- (j) purchase and maintain insurance related to our Consolidated Affiliated Entities' assets and business from the insurance company accepted by Beijing Flowing Cloud;
- (k) not to procure or agree to any partnership, joint venture or merger between our Consolidated Affiliated Entities and any other entity or invest in anyone, except for an acquisition or investment amount less than RMB one million;
- (l) immediately notify Beijing Flowing Cloud of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue, or any event that may adversely affect its existence, business operation, financial situation, asset or goodwill;
- (m) not to procure our Consolidated Affiliated Entities to declare or distribute any distributable profits or dividends without Beijing Flowing Cloud's prior written consent; and
- (n) appoint or replace any director, supervisor or any other management of our Consolidated Affiliated Entities according to Beijing Flowing Cloud's request.

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The Exclusive Option Agreements have a term of ten years and may be renewed by Beijing Flowing Cloud after expiration unless all the equity interests in and assets of our Consolidated Affiliated Entities have been transferred to Beijing Flowing Cloud or its designated entities or individuals. To the extent permitted under PRC laws, our Consolidated Affiliated Entities and the respective Registered Shareholders are not contractually entitled to unilaterally terminate the Exclusive Option Agreements with Beijing Flowing Cloud.

In addition, the respective Registered Shareholders and Ophyer Technology undertake that (i) in case they receive any dividends or other profit distributions from our Consolidated Affiliated Entities, they shall return to the same to Beijing Flowing Cloud; and (ii) in case they receive any proceeds from transfer of equity interests in our Consolidated Affiliated Entities, or any distributions upon liquidation of our Consolidated Affiliated Entities, they shall return to Beijing Flowing Cloud such proceeds or distribution they receive.

Equity Pledge Agreements

Beijing Flowing Cloud, the Registered Shareholders and Ophyer Technology entered into an equity pledge agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an equity pledge agreement on May 6, 2022 (collectively, the “**Equity Pledge Agreements**”, each an “**Equity Pledge Agreement**”), pursuant to which each of the respective Registered Shareholders and Ophyer Technology irrevocably and unconditionally agreed to pledge all of their respective equity interests in our Consolidated Affiliated Entities to Beijing Flowing Cloud as security interest to guarantee the performance of contractual obligations of the registered shareholders and the payment of outstanding debts by our Consolidated Affiliated Entities under the Contractual Arrangements.

Under the Equity Pledge Agreements, if our Consolidated Affiliated Entities declare dividends during the term of the pledge, Beijing Flowing Cloud or its designee is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interest, if any. In addition, pursuant to the Equity Pledge Agreements, each of the respective registered shareholders and our Consolidated Affiliated Entities has undertaken to Beijing Flowing Cloud that, among other things, not to transfer his/her/its equity interests in our Consolidated Affiliated Entities or create or allow any pledge on the pledged equity without Beijing Flowing Cloud’s prior written consent.

The Equity Pledge Agreements came into effect on upon the execution date and shall remain valid until (i) the final repayment and performance of the secured debt and contractual obligations secured by the pledge; (ii) the respective Registered Shareholders have transferred their entire equity interests in our Consolidated Affiliated Entities to Beijing Flowing Cloud and/or its

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designee or our Consolidated Affiliated Entities have transferred all of their assets to Beijing Flowing Cloud and/or its designee, pursuant to the applicable PRC laws and regulations, and the Listing Rules; (iii) Beijing Flowing Cloud exercises its unilateral right of termination; or (iv) the agreement is terminated in accordance with or as required by the applicable PRC laws and regulations.

If an event of default (as provided in the Equity Pledge Agreements) occurs, unless it is successfully resolved to Beijing Flowing Cloud’s satisfaction within 30 days after such default event is identified, Beijing Flowing Cloud may demand the respective Registered Shareholders and our Consolidated Affiliated Entities to immediately pay all outstanding amounts due under the Exclusive Technical Consultation and Services Agreement, repay any loans and make all other payments due to it and/or dispose of the pledged equity interest. As of the Latest Practicable Date, the registration of the pledge of equity interest as required by the relevant laws and regulations had completed in accordance with its terms under the equity pledge agreements dated December 16, 2021 and May 6, 2022, respectively, and PRC laws and regulations.

Shareholders’ Rights Entrustment Agreements

Ophyer Technology, the Registered Shareholders and Beijing Flowing Cloud entered into an shareholders’ voting rights entrustment agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an shareholders’ voting rights entrustment agreement on May 6, 2022 (collectively, the “**Shareholders’ Rights Entrustment Agreements**”, each a “**Shareholders’ Rights Entrustment Agreement**”), pursuant to which, each of the respective Registered Shareholders and Ophyer Technology irrevocably, unconditionally and exclusively, through their respective powers of attorney, appoints Beijing Flowing Cloud or its designated person (including our Directors and their successors and liquidator replacing our Directors but excluding those who are Shareholders of our Consolidated Affiliated Entities), as his/her/its attorney-in-fact to exercise such shareholder’s rights in our Consolidated Affiliated Entities, including without limitation to, the rights to:

- (a) propose to convene, participate in and attend general meetings of our Consolidated Affiliated Entities on behalf of the registered shareholders, and sign the minutes and resolutions of the meetings;
- (b) exercise voting rights on all matters which are subject to discussions and resolutions of the shareholders of our Consolidated Affiliated Entities in general meetings (including but not limited to the designation, appointment or replacement of directors and supervisors of our Consolidated Affiliated Entities;

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- (c) exercise other voting rights which the shareholders of our Consolidated Affiliated Entities are entitled to in accordance with the articles of association (as amended from time to time);
- (d) decide to transfer or otherwise dispose of the equity interests in our Consolidated Affiliated Entities held by the Registered Shareholders and Ophyer Technology;
- (e) submit any document for filing purpose to the competent authorities on behalf of the Registered Shareholders and Ophyer Technology;
- (f) take over the property on behalf of the Registered Shareholders after dissolution or liquidation of our Consolidated Affiliated Entities;
- (g) receive any profit distribution or dividend in accordance with PRC laws and regulations and the articles of association of our Consolidated Affiliated Entities; and
- (h) exercise other shareholders' rights as specified in applicable PRC laws and regulations and the articles of association of our Consolidated Affiliated Entities (as amended from time to time).

Spouse Undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an unconditional and irrevocable undertaking (the "**Spouse Undertakings**") to the effect that, among others:

- (a) the spouse has been made fully aware of the Contractual Arrangements and consented to the execution of the Contractual Arrangements by such Registered Shareholder and shall not prejudice or hinder the enforcement of the Contractual Arrangements and the equity interest in Ophyer Technology held and to be held by each of the Registered Shareholders (together with any other interest therein) do not fall within the scope of communal properties;
- (b) in the event that the spouse obtains any equity interest in Ophyer Technology, he/she will be subject to and abide by the terms of the Contractual Arrangements, and at the request of Beijing Flowing Cloud, he/she will sign any documents in the form and substance consistent with the Contractual Arrangements;
- (c) no authorization or consent from the relevant spouse is required regarding the performance, modification or termination of the Contractual Arrangements; and

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(d) no claim or action against the Contractual Arrangements will be taken by the spouse.

Confirmations from the Registered Shareholders

Each of the Registered Shareholders undertakes to Beijing Flowing Cloud that, in the event of death, divorce, bankruptcy, liquidation or other circumstances regarding the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interests in Ophyer Technology, the Registered Shareholder’s successor, liquidator and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of 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 where the agreement cannot be reached within thirty days, the relevant dispute shall be submitted to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief or order the winding up of our Consolidated Affiliated Entities. Any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that an arbitral tribunal normally would not grant such kind of injunctive relief or order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. As a result of the above, in the event that our Consolidated Affiliated Entities or the registered shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner. See the paragraph headed “Risk Factors — Risks Relating to Our Contractual Arrangements” in this document for further details.

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Succession

Under the Exclusive Option Agreements, Equity Pledge Agreements and Shareholders' Rights Entrustment Agreements, each of the respective Registered Shareholders, where appropriate, has confirmed and undertaken to the effect that in the event of his/her death, incapacity, marriage, divorce or any other event which causes his/her inability to exercise his/her rights as a shareholder of our Consolidated Affiliated Entities, his/her successors (including his spouse, children, parents, siblings and grandparents) will succeed his/her rights and obligations under the Contractual Arrangements as if he/she was a party to relevant agreements.

The spouse of each of the Registered Shareholders, where applicable, has also signed a Spouse Undertaking to the effect, among others, that if he/she has obtained any equity interests in Ophyer Technology for whatever reasons, he/she, his/her successors, agents and/or property administrators will unconditionally be bound by the Contractual Arrangements as if he/she is a party to the relevant agreements.

Conflict of Interest

The Shareholders' Rights Entrustment Agreements provide that, in order to avoid potential conflict of interest, where the Registered Shareholders are directors or personnel of our Company, the power of attorney is granted in favor of other unrelated directors or personnel of our Company. Any director or personnel of our Company who are related to the registered shareholders shall not participate in the decisions in relation to the Contractual Arrangements.

In addition, under the Shareholders' Rights Entrustment Agreements, the registered shareholders have undertaken that their authorities under the powers of attorney will not give rise to any actual or potential conflict of interest with Beijing Flowing Cloud, its overseas holding companies and/or its trustee. In the event of any potential conflict of interest between the registered shareholders, our Consolidated Affiliated Entities and Beijing Flowing Cloud, its overseas holding companies, and/or its subsidiaries directly or indirectly held, the registered shareholders will give priority to protect and not prejudice the interests of Beijing Flowing Cloud, its overseas holding companies, and/or its subsidiaries directly or indirectly held.

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Further, each of the Registered Shareholders has given their irrevocable undertakings under the Exclusive Option Agreements, Equity Pledge Agreements and Shareholders' Rights Entrustment Agreements to take following measures to address potential conflicts of interests that may arise in connection with the Contractual Arrangements:

- (a) the Registered Shareholders have undertaken not to sign any document or make any commitment which has conflict of interest with the legal documents signed by our Consolidated Affiliated Entities or Beijing Flowing Cloud and its designees;
- (b) the Registered Shareholders shall not act or shall refrain from acting in a manner that causes a conflict of interest between the registered shareholders and Beijing Flowing Cloud, its shareholders and affiliates;
- (c) if a conflict of interest as described above arises (and Beijing Flowing Cloud shall be entitled to decide unilaterally whether such conflict of interest arises), the Registered Shareholders shall take measures to eliminate it as promptly as possible with the consent of Beijing Flowing Cloud or its designee; and
- (d) if the registered shareholders refuse to take measures to eliminate conflicts of interest, Beijing Flowing Cloud and/or our designee shall have the right to exercise the right to purchase under the Exclusive Option Agreements. If PRC laws and regulations prohibit or restrict Beijing Flowing Cloud and/or its designee from exercising the purchase rights under the Exclusive Option Agreements at the time being, Beijing Flowing Cloud has the right to take necessary measures to eliminate the conflict of interest, and the Registered Shareholders promise to cooperate with relevant procedures unconditionally.

Loss Sharing

As advised by our PRC Legal Advisors, under the relevant PRC laws and regulations, none of our Company and Beijing Flowing Cloud is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Beijing Flowing Cloud intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

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Liquidation

Pursuant to the Exclusive Option Agreements, in the event of a mandatory liquidation required by the PRC laws, the respective Registered Shareholders and Ophyer Technology shall transfer all remaining assets they received to Beijing Flowing Cloud or its designated person, at the lowest price as permitted by the PRC laws. The respective Registered Shareholders and Ophyer Technology shall return Beijing Flowing Cloud or its designated person any income (if any) arising from such transaction within ten days after receiving.

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 business through our Consolidated Affiliated Entities under the Contractual Arrangements.

Termination

The Contractual Arrangements came into effect from the date of the respective agreements, until they are terminated (i) upon the transfer of the entire equity interest held by the respective registered shareholders and/or the transfer of all the assets of our Consolidated Affiliated Entities to Beijing Flowing Cloud or its designated person; (ii) when Beijing Flowing Cloud exercises its unilateral right of termination; or (iii) when the agreements are terminated in accordance with applicable PRC laws and regulations.

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- (a) Beijing Flowing Cloud, our Consolidated Affiliated Entities and each of the respective Registered Shareholders and their spouses (if applicable) are legally established and validly subsisting entities or natural persons with full civil capacity. The aforesaid persons have qualifications and capabilities to enter into the Contractual Arrangements and have obtained necessary internal approval and authorization for the execution and performance of the Contractual Arrangements. Each of the agreements under the Contractual Arrangements is effective;
- (b) the execution and performance of the Contractual Arrangements do not violate the provisions of “malicious collusion is conducted to damage others’ legitimate rights and interests” and other mandatory provisions as stipulated in Civil Code of the PRC (《中華人民共和國民法典》) and the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” because the agreements under the Contractual Arrangements were not entered into for illegitimate purposes;
- (c) the contents, execution and performance of the Contractual Arrangements do not violate any provisions of the articles of association of Beijing Flowing Cloud, our Consolidated Affiliated Entities or the respective Registered Shareholders that are entities;
- (d) 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 Beijing Flowing Cloud of its rights under the Exclusive Option Agreements to acquire all or part of the equity interest in our Consolidated Affiliated Entities are subject to the approvals of and/or registrations with the PRC regulatory authorities;
 - (ii) any equity pledge contemplated under the Equity Pledge Agreements is subject to the registration with local administration bureau for industry and commerce; and
 - (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;

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- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws including but not limited to the Foreign Investment Law and the Negative List, except the Contractual Arrangements provide that any dispute shall be submitted to the Beijing Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entities, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business and injunctive relief compelling transfer of assets), enforce the contract or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

We have been advised by our PRC Legal Advisors, however, that there is substantial uncertainty regarding the interpretation and application of current and future PRC laws. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC Government finds that the Contractual Arrangements do not comply with the PRC Government restrictions on foreign investment in the relevant business, we could be subject to penalties.

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, and except for the relevant arbitration clauses as described in “— Dispute Resolution” above in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Our PRC Legal Advisors are of the view that the authorities and the personnel consulted in the consultations with the MIIT, the BCA and the BRTB are competent and authorized to interpret the relevant laws, regulations and rules of the PRC for the industry in which our Company operates its business and make the abovementioned oral confirmations.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the [REDACTED], a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Continuing Connected Transactions” in this document.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Exclusive Technical Consultation and Services Agreement, it was agreed that, in consideration of the services provided by Beijing Flowing Cloud, our Consolidated Affiliated Entities will pay service fees to Beijing Flowing Cloud. The service fees, subject to Beijing Flowing Cloud’s adjustment, are equal to the total profit after tax of our Consolidated Affiliated Entities, after offsetting the prior-year loss (if any) and the statutory reserve funds (if applicable).

The entirety of the total consolidated profit of our Consolidated Affiliated Entities (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Beijing Flowing Cloud may adjust the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of the Consolidated Affiliated Entities. Beijing Flowing Cloud also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, Beijing Flowing Cloud has the ability, at its sole discretion, to receive substantially all of the economic benefit of our Consolidated Affiliated Entities through the Exclusive Technical Consultation and Services Agreement.

In addition, under the Exclusive Technical Consultation and Services Agreement and the Exclusive Option Agreements, Beijing Flowing Cloud has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as Beijing Flowing Cloud’s prior written consent is required before any distribution can be made. In the event that the respective Registered Shareholders and Ophyer Technology receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders and Ophyer Technology must immediately pay or transfer such amount to Beijing Flowing Cloud.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through Beijing Flowing Cloud and, at our Company’s sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements.

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 Note 2 to the Accountants’ Report in Appendix I to this Document.

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DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th NPC and took effect on January 1, 2020. The Foreign Investment Law stipulates forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties shares or other similar interest in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The Foreign Investment Law stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the Foreign Investment Law classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively. Where any foreign investor directly or indirectly holds shares, equity, properties or other interest in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the catalog of prohibitions. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to certain conditions. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures. Where the offender refuses to make corrections, punishments are implemented according to the provisions of the preceding paragraph.

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Impact and potential consequences of the Foreign Investment Law on the Contractual Arrangements

Our PRC Legal Advisors have advised that, since Contractual Arrangements are not specified as foreign investments under the Foreign Investment Law, and if future laws, administrative regulations, provisions of the State Council do not incorporate Contractual Arrangements as a form of foreign investment, the Foreign Investment Law would not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements compared with the current PRC laws and regulations. Therefore, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment. However, as of the Latest Practicable Date, it was uncertain as to how our Contractual Arrangements will be handled.

If the operation of Relevant Businesses is no longer falling in the catalog of prohibitions or certain conditions and permission of foreign investment access required under the Negative List and we can legally operate our business under PRC laws, Beijing Flowing Cloud will exercise the call option under Exclusive Option Agreements to acquire the equity interest/assets of our Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

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COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

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