

## CONTRACTUAL ARRANGEMENTS

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

#### Overview

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures for Foreign Investment Access (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”) and the Encouraged Industries Catalog for Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the Ministry of Commerce and the NDRC. The Negative List and the Encouraging Catalog divide industries into three categories in terms of foreign investment, namely, “encouraged,” “restricted” and “prohibited.” Industries not listed under the Negative List and the Encouraging Catalog are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations. The currently effective Negative List is the Negative List (2021), which became effective on January 1, 2022. For further details of the limitations on foreign ownership in PRC companies conducting the value-added telecommunication services, and the applicable licensing and approval requirements under PRC laws and regulations, see “Regulations—Regulations on Value-added Telecommunications Businesses” for details.

As advised by our PRC Legal Adviser, a summary of our operation that is subject to foreign investment restriction in accordance with the Negative List (2021) and other applicable PRC laws is set out below:

<u>Categories</u>	<u>Our operations</u>	<u>Entity that holds the IDC License</u>
“ <b>Restricted</b> ”  value-added telecommunication services	The Onshore Holdco operates a cloud-based unified PaaS infrastructure (the “ <b>Restricted Operation</b> ”) to serve as the technology bedrock of all of the Group’s solutions and services, including the cloud-based HCM solutions and the professional services business engaged by Chengdu WFOE.	The Onshore Holdco <sup>(note)</sup>

According to the Negative List (2021) and relevant PRC laws and regulations, as for the value-added telecommunications business types which fall within China’s commitment to the WTO (except for e-commerce, domestic multi-party communication, storage and forwarding and call center), the foreign equity interest shall not exceed 50%, and foreign investment is generally not permitted in the types of value-added telecommunications business that do not fall within China’s commitment to the WTO to open up, which include the internet data center services, internet access services, domestic internet virtual private network services, except that qualified telecommunication service providers incorporated in Hong Kong or Macau may hold up to 50% equity interest in such entities according to the Mainland and Hong Kong Closer Economic Partnership Agreement or the Mainland and Macao Closer Economic Partnership Agreement, respectively.

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<u>Categories</u>	<u>Our operations</u>	<u>Entity that holds the IDC License</u>
	<p>The Restricted Operation constitutes the provision of internet resource collaboration services as defined in the Telecommunications Regulations of the People’s Republic of China (《中華人民共和國電信條例》) and the Catalog of Telecommunications Business (《電信業務分類目錄》), and the Measures on the Administration of Telecommunications Business Operating Permits (《電信業務經營許可管理辦法》). As such, to operate the Restricted Operation, our Group is required to obtain a Value-added Telecommunication Business Operation Permit with the Internet Data Center Services (limited to internet resources cooperation services) (增值電信業務經營許可證 (僅限互聯網資源協作服務)) (the “<b>IDC License</b>”) issued by the competent authority. To comply with such PRC laws and regulations, the Group operates the Restricted Operation through the Onshore Holdco, which holds an IDC License issued by the competent authority.</p> <p>See “Regulations—Regulations on Value-added Telecommunications Businesses” for details.</p>	

Note: For the avoidance of doubt, the Onshore Holdco does not operate any non-restricted business.

### Qualification Requirements

According to the Negative List (2021), provision of internet data center services (limited to internet resources cooperation services) is a “restricted” business and the shareholding percentage of a foreign investor in companies engaged in such services shall not exceed 50%. On December 11, 2001, the State Council promulgated the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on September 10, 2008, February 6, 2016 and April 7, 2022 (the version amended in 2016, hereinafter the “**2016 FITE Regulations**” and the version amended in 2022, hereinafter the “**2022 FITE Regulations**”). According to the 2022 FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, except as otherwise provided in laws and regulations. Article 10 of the 2016 FITE Regulations further provides that a major foreign investor that invests in a value-added telecom business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecom businesses overseas (the “**Qualification Requirements**”). Enterprises engaged in value-added telecommunications business in the PRC with foreign investors that meet these requirements must obtain approvals from MIIT which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s previous telecommunications business licenses issued by the relevant local authorities, satisfactory proof of the Qualification Requirements and a business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof

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satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

As of the Latest Practicable Date, no applicable PRC laws had provided clear guidance or interpretation on the Qualification Requirements. The Qualification Requirements are subject to the MIIT’s review in substance.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the maximum permissible equity interests in the Onshore Holdco. We have taken the following measures to meet the Qualification Requirements (the “**Relevant Measures**”):

- (a) Our Company has registered and submitted for registration a number of trademarks in different jurisdiction, such as Hong Kong, for the purpose of establishing our presence overseas;
- (b) we are in the process of preparing registration of additional trademarks in Hong Kong; and
- (c) we have constructed our overseas website, primarily for the purposes of introducing our businesses to potential users and for investor relations purpose. Through this overseas website which can be accessed globally, we aim to help our overseas investors better understand our services and business.

We made a consultation on November 5, 2021 with the deputy head of the Marketing Division of the Information and Communication Administration Bureau (信息通信管理局市場處) of the MIIT (the “**MIIT Consultation**”), being the competent authority to give relevant confirmation and the officer consulted is of the appropriate ranking to provide relevant confirmation as advised by our PRC Legal Advisor. The officer of MIIT confirmed that (i) the Company is not required to obtain any value-added telecommunication license to conduct the cloud-based SaaS services; (ii) a sino-foreign equity joint venture company with a foreign shareholder not meeting the Qualification Requirements (as then applicable prior to its removal by the Decision to Amend and Abolish Certain Administrative Regulations in April 2022) will not be eligible to hold the IDC License; (iii) it is not certain for an offshore incorporated company, such as our Company, that its invested company, such as the Onshore Holdco (if in the case controlled by our Company through equity interests), will be able to obtain the IDC License, as it remains ultimately subject to case-by-case examination of the MIIT, (iv) a PRC company holding an IDC License will have to cancel and reapply for the IDC License if it has a foreign shareholder, regardless of whether the equity interests are held directly or indirectly or how much equity interests are held by such foreign shareholder, (v) the relevant authority will make a final determination as to whether the Qualification Requirements are satisfied only after it receives and review all the application materials, and (vi) the Relevant Measures to be taken by us would be helpful.

Accordingly, subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Adviser is of the view that (a) as of the Latest Practicable Date, there is no clear interpretation or guidance on how Qualification Requirements can be met and what would constitute the required prior experience in, and a proven track record of good performance of, operating value-added telecom businesses overseas and therefore it is not possible for our Company to acquire any equity interest in Onshore Holdco or to hold the maximum equity interest in Onshore Holdco permissible under current PRC laws and regulations, due to lack of relevant experience currently; and (b) the Relevant Measures are reasonable, appropriate and sufficient in

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relation to the Qualification Requirements as we will be able to gain experience in providing value-added telecommunications services in overseas markets.

### *The Overseas Listing Trial Measures*

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023. For detail of such regulations, see “Regulations—M&A Rules and Overseas Listing”.

Among others, with respect to the issuers with Contractual Arrangements, at a press conference held for these new regulations, officials from the CSRC clarified that the CSRC will seek opinions from relevant government authorities on the Contractual Arrangements and agree to those issuers with Contractual Arrangements as well as being in compliance with relevant requirements to file its overseas offering and listing with the CSRC. Except for the foregoing, our PRC Legal Advisor is of the view that there have not been any material change in laws and regulations with respect to the Contractual Arrangements. Please see “Summary—Recent Development—Recent Regulatory Developments—Overseas Listing” for detail of the applicability of the Overseas Listing Trial Measures to the proposed [REDACTED] and, in the event the Overseas Listing Trial Measures applies to the proposed [REDACTED], the view of our Directors upon consultation with the PRC Legal Advisor that we will be able to comply with the Overseas Listing Trial Measures in all material aspects in connection with the proposed [REDACTED].

Moreover, our PRC Legal Advisor has advised that the MIIT Consultation remains valid, on the basis that: (i) as of the Latest Practicable Date, the Overseas Listing Trial Measures have not become effective; (ii) as of the Latest Practicable Date, the Company has not received any material investigations, inquiries, notices, warnings, sanctions or other concerns from the MIIT with respect to our proposed [REDACTED] and/or the Contractual Arrangements; and (iii) each of the agreements under the Contractual Arrangements is valid, legal and binding under the PRC laws, and the contents of each such agreements do not violate the mandatory provisions of the PRC laws currently in effect.

### *The 2022 FITE Regulations*

On April 7, 2022, the State Council of the PRC issued the Decision to Amend and Abolish Certain Administrative Regulations, which makes amendments to the 2016 FITE Regulations. As compared to the 2016 FITE Regulations, the 2022 FITE Regulations amends the concept of “foreign-invested telecommunication enterprises” to “the enterprise which is legally formed by foreign investors within the territory of the PRC and is engaged in provision of telecommunications services”, being connected to the concept of “foreign-invested enterprises” under the Foreign Investment Law. The 2022 FITE Regulations adds “except as otherwise provided for by the State” to Article 6 of the 2016 FITE Regulations, demonstrating that there may be exceptions of foreign investors’ shareholding ratio in telecommunications sectors under relevant provisions. The 2022 FITE Regulations also removes the qualification requirements (i.e., a good track record and experience in operating value-added telecommunications business) for foreign investors that hold equity interest in PRC companies conducting value-added telecommunication business as set out in the 2016 FITE Regulations and streamlines application process of telecommunication business operation permit and shorten the review time period.

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The PRC Legal Advisor has advised that the amendments in the 2022 FITE Regulations do not invalidate the IDC License held by the Onshore Holdco, require the Company to modify its Contractual Arrangements or to adjust business operations of the Company according to PRC laws and regulations. Our Directors are of the view that the removal of Qualification Requirements as a result of the 2022 FITE Regulations does not invalidate the current structure of the Company’s Contractual Arrangements, on the basis that (i) foreign investment is generally not permitted in the types of value-added telecommunications business that do not fall within China’s commitment to the WTO to open up, which include, among other types of services, internet data center services, such as the Onshore Holdco’s Restricted Operation as licensed by the IDC License, except that qualified telecommunication service providers incorporated in Hong Kong or Macau may hold up to 50% equity interest in such entities according to the Mainland and Hong Kong Closer Economic Partnership Agreement or the Mainland and Macao Closer Economic Partnership Agreement, respectively; and (ii) as of the Latest Practicable Date, the Company has not received any inquiry or notice from the competent authorities regarding the validity of IDC License held by the Onshore Holdco or the Contractual Arrangements as a whole. Accordingly, our PRC Legal Advisor has confirmed that nothing has caused the PRC Legal Advisor to disagree with the foregoing views of our Directors.

The Company will closely monitor any future development relating to the implementation of the 2022 FITE Regulations and will take all necessary actions to comply with applicable laws, regulations, and specific requirements. Based on the above, the 2022 FITE Regulations would not have a material adverse effect on the Contractual Arrangements and the business operations of the Company.

### **Minority equity investments in Beijing Black Mirror held by the Onshore Holdco**

In addition to the Restricted Operation, we made minority investments in a company, namely, Beijing Black Mirror the primary business of which is the development and provision of OKR software and related services. Beijing Black Mirror was established by Mr. Zhang at the time he resigned as the chief technology officer of the Onshore Holdco in May 2018. To the best of our Directors’ knowledge, Beijing Black Mirror was established for taking over the OKR software and related services then operated by our Group through Sen Yun Technology after arm’s length discussions between our Group and Mr. Zhang. Our decision to allow Mr. Zhang and Beijing Black Mirror to take over the OKR software and related services business was driven primarily by (i) our Group’s business reorganization plan to streamline the business structure of our Onshore Holdco by winding down the OKR software and related services business which was no longer our strategic focus and (ii) our understanding that it was Mr. Zhang’s personal interests to further pursue the development of the OKR software and related services business and his other career goals elsewhere. Despite the departure of Mr. Zhang, and taking into account Mr. Zhang’s past contribution in our Group’s business development, our management remained confident of Mr. Zhang’s ability to develop and oversee the business of Beijing Black Mirror, which is complementary to our Group’s own businesses. As such, our Group (i) made a minority investment in Beijing Black Mirror and acquired 18% equity interests therein with a cash consideration of RMB2 million in June 2018 and (ii) transferred its entire equity interests in Sen Yun Technology to Beijing Black Mirror at a consideration of RMB1 million in July 2018. To the best of our Directors’ knowledge, Beijing Black Mirror further received (i) in November 2020, from Mr. Ji, for an investment in the largest shareholder of Beijing Black Mirror, as Mr. Ji became a minority limited partner thereof holding less than 5% interest and (ii) in March 2021, from another shareholder independent of our Group, and thereby diluting our Group’s then equity interests held in Beijing Black Mirror from 18% to 10.2%. For details of the relationship between Mr. Zhang and our Group on one

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hand, and between Beijing Black Mirror and our Group on the other hand, please see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries”.

As of the Latest Practicable Date, Beijing Black Mirror is owned by six shareholders as to (i) 51.7% by Anji Tianqi Management Consultation Partnership (LLP)\* (安吉天啓管理諮詢合夥企業(有限合夥)), of which (a) Mr. Zhang is both the general partner as well as the largest partner interested in approximately 79.1% of the equity interests and (b) Mr. Ji is a minority limited partner interested in less than 5% of the equity interests; (ii) approximately 10.2% by our Onshore Holdco; (iii) approximately 12.3% by Anji Yunqi Management Consulting Partnership (Limited Partnership)\* (安吉雲啟管理諮詢合夥企業(有限合夥)), of which Mr. Zhang is interested in 99.9%; (iv) approximately 2.6% by Anji Tiandao Management Consulting Partnership (Limited Partnership)\* (安吉天道管理諮詢合夥企業(有限合夥)), of which Mr. Zhang is interested in 41.7%; and (v) approximately 23% in aggregate by the other two shareholders who are independent third parties. To the best knowledge and belief of the Directors and after due inquiry, save as disclosed in this Document, there exists no past or present relationship between (A) each of Beijing Black Mirror and its ultimate beneficial shareholders (other than the Group), and (B) the Company, its subsidiaries (including entities controlled under the Contractual Arrangements), their Directors, senior management or any of the members of the Single Largest Group of Shareholders, or any of their respective associates. The Group had not carried out any transactions with Beijing Black Mirror during the Track Record Period.

Beijing Black Mirror is generally a member of the broader “ecosystem” related to our business and provides products and services and has developed proprietary technologies that are complementary to ours, allowing us to better serve customers and more efficiently tap into our target markets. For details, see “Financial Information—Discussion of Certain Key Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss.” Therefore, our Directors consider that our investment in Beijing Black Mirror is commercially and strategically important to the future growth and expansion of our businesses. As advised by our PRC Legal Advisor, the businesses of Beijing Black Mirror is not subject to any foreign investment restrictions. The minority investment in Beijing Black Mirror is not material to us as we do not consolidate, operate or control Beijing Black Mirror.

By way of illustration of the immateriality of the investment in Beijing Black Mirror held under the Contractual Arrangements, (i) the Onshore Holdco holds approximately 10.2% equity interests in Beijing Black Mirror, and (ii) the long-term investments measured at fair value through profit or loss attributed by the investment in Beijing Black Mirror held under the Contractual Arrangements accounts for approximately 0.5%, 0.9%, 2.6%, 1.1% and 1.4% of our total assets as of March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, and the fair value changes on investments measured at fair value through profit or loss attributed by the investment in Beijing Black Mirror held under the Contractual Arrangements accounts for approximately 0.5%, 0.3%, 1.8%, 1.0% and 1.0% of our total revenue for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

Our Company has engaged in communication with the shareholders of Beijing Black Mirror in respect of our Company’s proposal to transfer its investment interests directly or indirectly held by the Onshore Holdco to Chengdu WFOE; however, as of the Latest Practicable Date, such requests had been declined by the controlling shareholder of Beijing Black Mirror for concerns that it may commence business requiring value-added telecommunication business license or is otherwise subject to foreign shareholder equity ownership restrictions. Its consent in such regard, as further elaborated in

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the following paragraph, is a prerequisite for such transfer and change of shareholder to properly comply with the relevant filing formalities in the PRC.

Our PRC Legal Adviser advised that, pursuant to the PRC Company Law (《中華人民共和國公司法》) and the articles of association of Beijing Black Mirror, and the applicable PRC laws and regulations, any transfer of the interest in Beijing Black Mirror directly held by the Onshore Holdco and, if applicable, any resulting amendment to the Beijing Black Mirror’s articles of association require the consent and assistance of its shareholders. Accordingly, it is impracticable for our Group to transfer its pre-existing investment interests in Beijing Black Mirror directly held by the Onshore Holdco to Chengdu WFOE without consent and/or assistance from other shareholders of Beijing Black Mirror.

In any event, given the immateriality of such equity investment to us, and the steps the Company has taken to attempt the transfer of its equity interests held in Beijing Black Mirror to Chengdu WFOE, the Company considered that it has used every reasonable effort to comply with the requirement that the Contractual Arrangements should be narrowly tailored.

To the extent that we acquire control over Beijing Black Mirror in the future, and depending on the nature of the business conducted by Beijing Black Mirror, we will consider restructuring the ownership of Beijing Black Mirror into a direct or indirect subsidiary of our Company.

### **Narrowly Tailored Contractual Arrangements**

In light of the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and to enable the Group to combine the financial results of our Consolidated Affiliated Entity which are engaged in the Restricted Operation.

We will make periodic inquiries with relevant PRC authorities to understand any new regulatory development and assess and evaluate our Contractual Arrangements.

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### **Overview**

Based on the advice of our PRC Legal Advisor, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, through the Contractual Arrangements amongst (1) Beijing WFOE, (2) the Onshore Holdco, and (3) the Registered Shareholders, we would be able to (i) gain effective control over the Consolidated Affiliated Entity; (ii) all of the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entity going forward; and (iii) have an exclusive option to purchase all or part of the equity interest in or all or part of the assets of or inject registered capital into the Onshore Holdco when and to the extent permitted by PRC law.

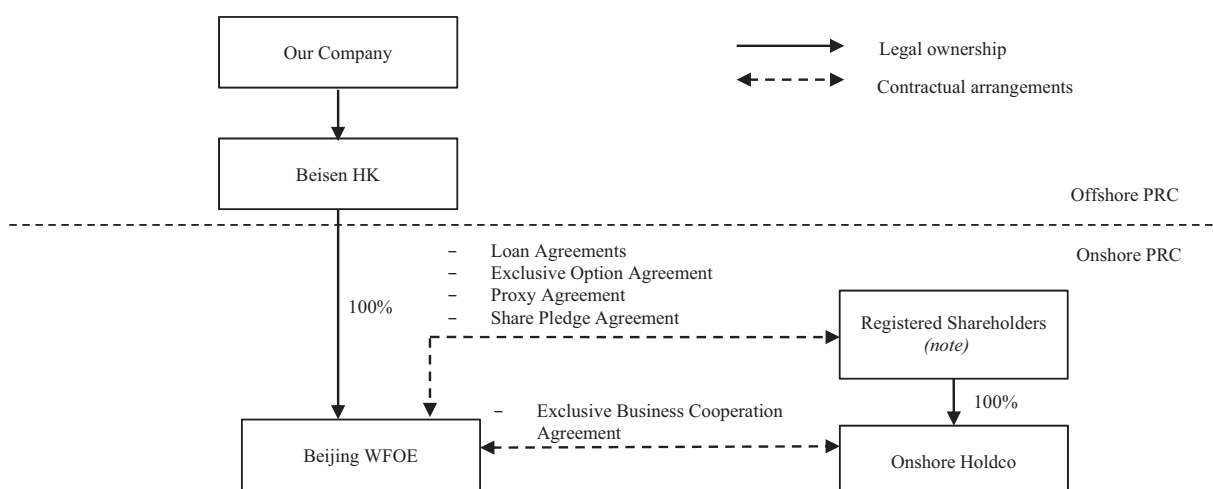
In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Contractual Arrangements were entered into on September 25, 2018 and were restated and amended on August 13, 2020, April 9, 2021 and December 27, 2021, whereby Beijing WFOE will acquire effective control over the financial and operational policies of Onshore Holdco, and will become entitled to all the economic benefits derived from its operations.

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Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were negotiated and entered into, on arm’s length basis, amongst Beijing WFOE, the Onshore Holdco, and the Registered Shareholders; and (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with Beijing WFOE, the Onshore Holdco will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED].

### Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our Onshore Holdco to our Group stipulated under the Contractual Arrangements, details of which are set out in “— Summary of the Material Terms of the Contractual Arrangements” in this section:



Note:

1. Registered Shareholders refer to the registered shareholders of Onshore Holdco, namely:
  - i. Mr. Wang;
  - ii. Mr. Ji;
  - iii. Beisen Zongheng;
  - iv. Beisen Investment; and
  - v. Shenzhen Capital, a limited liability company established in 1999 under the PRC laws, with the sponsorship from the Shenzhen government, who holds a 28.20% equity interest as its largest shareholder. Shenzhen Capital has obtained the requisite approval from the Shenzhen government to enter into the Contractual Arrangements.

The Registered Shareholders (together with other than shareholders) became the registered shareholders of Onshore Holdco through the investments in Onshore Holdco prior to the Reorganization of our Group. During the Reorganization, the offshore affiliates of Registered Shareholders became the Shareholders of our Company and the Registered Shareholders remain to be registered shareholders of Onshore Holdco to minimize the impact on the corporate structure of our Group. The Registered Shareholders, whether individual or corporate, assume the same obligations under the Contractual Arrangements and Beijing WFOE is able to gain control over the interests held by the corporate Registered Shareholders to the same extent as those held by the individual Registered Shareholders.



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See “History, Reorganization and Corporate Structure—Major Corporate Development and Shareholding Changes of our Group” for details on the shareholding structure of Onshore Holdco as of the Latest Practicable Date.

To comply with the narrowly tailored principle governing the Contractual Arrangements, we have restructured our non-restricted business. For details of such restructuring and the arrangement during the relevant transition period, please see “History, Reorganization and Corporate Structure—8. Restructuring of our non-restricted business”.

### **Circumstance in which we will unwind the Contractual Arrangements**

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted from foreign investment under the PRC laws. In such event, Beijing WFOE will exercise the call option under the Exclusive Option Agreement (defined below) to acquire the equity interest/assets of Onshore Holdco subject to any application or approval procedures and the approval by the relevant governmental authorities.

### **SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS**

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by and among Beijing WFOE, Onshore Holdco, and the Registered Shareholders is set out below.

#### **Exclusive Business Cooperation Agreement**

Under the exclusive business cooperation agreement (the “**Exclusive Business Cooperation Agreement**”), Onshore Holdco appoints Beijing WFOE as its exclusive services provider to provide Onshore Holdco the following services during the term of the Exclusive Business Cooperation Agreement:

- (1) the use of any relevant software legally owned by the Beijing WFOE;
- (2) development, maintenance and updating of software in respect of the businesses of the Onshore Holdco;
- (3) design, installation, daily management, maintenance and updating of network systems, hardware and database;
- (4) providing technical support and professional training services to relevant staff of the Onshore Holdco;
- (5) providing assistance in consultancy and research of relevant technology; and
- (6) other services negotiated and specified from time to time, based on the actual business requirements of the Onshore Holdco and the services capacity of the Beijing WFOE, to the extent permitted by PRC laws and regulations.

In consideration of the services provided by Beijing WFOE, Onshore Holdco shall pay Beijing WFOE monthly fees, which shall be of reasonable prices in accordance with the scope and nature of the services, and shall consist of 100% of the total consolidated profit of Onshore Holdco, after deduction of any accumulated deficit of Onshore Holdco in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Beijing

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WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and Onshore Holdco shall accept such adjustments. Beijing WFOE shall calculate the service fees on a monthly basis and issue a corresponding value-added tax invoice to the Onshore Holdco, at the tax rate stipulated by current PRC laws regarding value-added tax. Notwithstanding the payment agreements in the Exclusive Business Cooperation Agreement, Beijing WFOE may adjust the payment time and payment method, and the Onshore Holdco shall accept any such adjustment. In addition, save for the prior written consent from Beijing WFOE, the Onshore Holdco shall not accept the same or any similar services provided by any third party or establish similar cooperation relationship with any third party.

Unless terminated in accordance with the provisions of the Exclusive Business Cooperation Agreement or terminated in writing by Beijing WFOE, the Exclusive Business Cooperation Agreement shall remain effective perpetually from December 27, 2021. The Exclusive Business Cooperation Agreement also provides that Beijing WFOE has the exclusive proprietary rights in any and all intellectual property rights which are developed by Onshore Holdco at the request of Beijing WFOE or are developed by the parties jointly. Our directors consider that the above arrangements will ensure the economic benefits generated from the operations of Onshore Holdco will flow to Beijing WFOE and hence, our Group as a whole.

### Loan Agreements

Pursuant to the loan agreements (the “**Loan Agreements**”), Beijing WFOE provided Mr. Wang and Mr. Ji, being shareholders of Onshore Holdco with a loan in the aggregate amount of RMB351,286,200 to fund business activities and other uses (including acquiring shares in the Onshore Holdco held by its other than shareholders) as permitted by Beijing WFOE. Mr. Wang and Mr. Ji agreed that the proceeds from the transfer of any and/or all of the shares they hold in Onshore Holdco, pursuant to the exercise of the right to acquire such shares by Beijing WFOE under the Exclusive Option Agreement (defined below), shall only be used by Mr. Wang and Mr. Ji to repay the loan to the extent permitted under the PRC law. The Loan Agreements will remain effective until 10 years after the actual remittance date of such loan, which is extendable upon agreement by the parties to the Loan Agreements. During the term of the Loan Agreements, Beijing WFOE has the right, at its sole and absolute discretion, to accelerate maturity of loan at any time upon the occurrence of certain circumstances.

### Exclusive Option Agreement

Under the exclusive option agreement entered into among Beijing WFOE, the Registered Shareholders, and Onshore Holdco (the “**Exclusive Option Agreement**”), Beijing WFOE have a right to require the Registered Shareholders to transfer any and all of the shares of Onshore Holdco they hold to Beijing WFOE and/or a third party designated by it, in whole or in part, at any time and from time to time, for a nominal price, at the lowest purchase price that permitted by the PRC laws or, for Mr. Wang and Mr. Ji, at the price equivalent to the aggregate amount of the loan provided to them by Beijing WFOE under the Loan Agreements.

The Exclusive Option Agreement shall remain effective until the transfer of all the shares of Onshore Holdco held by the Registered Shareholders to Beijing WFOE and/or its designee(s).

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Onshore Holdco, and the Registered Shareholders, among other things, have covenanted as follows:

- (1) without the prior written consent of Beijing WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Onshore Holdco, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- (2) they shall maintain the Onshore Holdco'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;
- (3) without the prior written consent of Beijing WFOE, they shall not at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any material assets of Onshore Holdco or legal or beneficial interest in the material business or revenues of the Onshore Holdco of more than RMB500,000, or allow the encumbrance thereon of any security interest;
- (4) without the prior written consent of Beijing WFOE, the Onshore Holdco shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;
- (5) Onshore Holdco shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect Onshore Holdcos' operating status and asset value;
- (6) without the prior written consent of the Beijing WFOE, they shall not cause Onshore Holdco to execute any material contract with a value above RMB500,000, except the contracts executed in the ordinary course of business;
- (7) without the prior written consent of Beijing WFOE, they shall not cause the Onshore Holdco to provide any person with any loan or credit;
- (8) they shall provide Beijing WFOE with information on Onshore Holdco's business operations and financial condition at the request of Beijing WFOE;
- (9) if requested by Beijing WFOE, they shall procure and maintain insurance in respect of Onshore Holdco' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (10) without the prior written consent of Beijing WFOE, they shall not cause or permit Onshore Holdco to merge, consolidate with, acquire or invest in any person;
- (11) they shall immediately notify Beijing WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Onshore Holdco's assets, business or revenue;
- (12) to maintain the ownership by Onshore Holdco 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 defenses against all claims;

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- (13) without the prior written consent of Beijing WFOE, Onshore Holdco shall not in any manner distribute dividends to their shareholders, provided that upon the written request of Beijing WFOE, Onshore Holdco shall immediately distribute all distributable profits to their shareholders;
- (14) at the request of Beijing WFOE, they shall appoint any persons designated by Beijing WFOE as the directors of Onshore Holdco;
- (15) without the written consent of Beijing WFOE, they shall not engage in any business in competition with Beijing WFOE or its affiliates; and
- (16) unless otherwise mandatorily required by the PRC laws, Onshore Holdco shall not be dissolved or liquidated without prior written consent by Beijing WFOE.

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

- (1) without the written consent of Beijing WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Onshore Holdco, or allow the encumbrance thereon of any security interest, except for the Share Pledge Agreements (as defined below) and the interests prescribed in the Proxy Agreement (as defined below), and procure the shareholders’ meeting and the board of directors of Onshore Holdco not to approve such matters;
- (2) for each exercise of the share purchase option, to cause the shareholders’ meeting of Onshore Holdco to vote on the approval of the transfer of shares and any other action requested by Beijing WFOE;
- (3) they shall relinquish the pre-emptive right or right of first refusal (if any) he/she/it is entitled to in relation to the transfer of shares by any other shareholders to Onshore Holdco and give consent to the execution by each other shareholder of Onshore Holdco with Beijing WFOE and Onshore Holdco exclusive option agreements, share pledge agreements and proxy agreement similar to the Exclusive Option Agreements, the Share Pledge Agreements and the Proxy Agreement, and accept not to take any action in conflict with such documents executed by the other shareholders (if any); and
- (4) each of the Registered Shareholders will transfer to Beijing WFOE or its appointee(s) by way of gift any profit or dividend in accordance with the PRC law.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to Beijing WFOE any consideration they receive in the event that Beijing WFOE exercise the options under the Exclusive Option Agreement to acquire the shares in the Onshore Holdco.

### **Share Pledge Agreement**

Pursuant to the share pledge agreement (the “**Share Pledge Agreement**”), each Registered Shareholder, has pledged all of such shareholder’s shares in Onshore Holdco as a security interest, as applicable, to respectively guarantee Onshore Holdco and the Registered Shareholders’ performance of their obligations under the relevant contractual arrangement, which include the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Proxy Agreement and the Loan Agreements. If Onshore Holdco or any of the Registered Shareholder breaches their contractual obligations under these agreements, Beijing WFOE, as pledgee, will be entitled to certain rights regarding the pledged

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shares. In the event of such breaches, upon giving written notice to the Registered Shareholders, Beijing WFOE to the extent permitted by PRC laws may exercise the right to enforce the pledge, which is being paid in priority with the shares of Onshore Holdco from the proceeds from auction or sale of the shares and request the amount owed by Mr. Wang and Mr. Ji under the Loan Agreements be repaid immediately. Each of the Registered Shareholders agrees that, during the term of the Share Pledge Agreement, such Registered Shareholder shall not transfer the shares, place or permit the existence of any security interest or other encumbrance on the shares or any portion thereof, without the prior written consent of Beijing WFOE. The Registered Shareholders may receive dividends distributed on the shares only with prior consent of Beijing WFOE.

The Share Pledge Agreement remains effective until all obligations under the relevant contractual agreements have been fully performed or all secured indebtedness have been fully paid, whichever is later.

The share pledge under the Share Pledge Agreement takes effect upon the completion of registration with the relevant PRC government authority in July, 2021. The registration of the share pledge as required by the relevant laws and regulations has been completed in accordance with PRC laws.

### **Proxy Agreement**

Under the proxy agreement entered into among Beijing WFOE, the Registered Shareholders, and Onshore Holdco (the “**Proxy Agreement**”), the Registered Shareholders has irrevocably undertaken to appoint Beijing WFOE or its designated persons (including but not limited to directors and their successors and liquidators replacing but excluding those non-independent or who may give rise to conflict of interests) to exercise the following rights relating to all shares held by the Registered Shareholders during the term of the Proxy Agreement to act on behalf of such Registered Shareholder as his/its exclusive agent and as his/its attorney-in-fact to exercise such Registered Shareholder’s rights in Onshore Holdco according to the articles of association of Onshore Holdco, including but not limited to, the rights to (i) convene and participate in shareholders’ meeting pursuant to the articles of association of Onshore Holdco in the capacity of a proxy of the Registered Shareholders; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at shareholders’ meetings and the appointment and election of directors, supervisors and other senior management of Onshore Holdco to be appointed by the Registered Shareholders, dispose the company assets, amend the articles of Onshore Holdco and exercise the rights of the Registered Shareholders in the event of liquidation of Onshore Holdco; (iii) sign or submit any required document to any company registry or other authorities in the capacity of a proxy of the Registered Shareholders; (iv) to exercise rights of the Registered Shareholders and any other voting rights of the Registered Shareholders under the relevant PRC laws and regulations and the articles of associations of Onshore Holdco, as amended; and (v) exercise shareholder’s right to dispose the asset of Onshore Holdco as permitted by laws, including but not limited to the right to manage the asseted-related business of Onshore Holdco, right to acquire the assets of the Onshore Holdco. To preempt any conflict of interest between the Registered Shareholders and Beijing WFOE (or its designated persons), the Registered Shareholders have undertaken that they (i) would not execute any documents with any third parties that have may conflicts of interests; (ii) shall not commit or refrain from committing any act that may lead to conflicts of interests; and (iii) take any measures to eliminate conflicts in the event of occurrence of conflict of interest.

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Subject to other terms in the Proxy Agreement, the Proxy Agreement shall remain effective perpetually from December 27, 2021. The Proxy Agreement may be terminated by Beijing WFOE in writing or when there is a breach of the Proxy Agreement by Onshore Holdco or the Registered Shareholders which is not remedied within a reasonable time or 10 days after being requested to remedy the breach.

### Confirmation from the Registered Shareholders

Each of Mr. Wang and Mr. Ji has confirmed to the effect that (i) his interests do not fall within the scope of communal properties, and his spouse does not have the right to claim any interests in the Onshore Holdco (together with any other interests therein) or exert influence on the day-to-day management and voting matters of the Onshore Holdco; and (ii) in the event of his death, disappearance, incapacity, divorce, marriage or any other event which causes his inability to exercise his rights as a shareholder of the Onshore Holdco, his successors (including his spouse) will not take any actions that would affect his obligations under the Contractual Arrangements.

### Spouse Undertakings

The spouse of each of Mr. Wang and Mr. Ji, has signed undertakings to the effect that (i) she undertakes not to make any assertions in connection with the shares of Onshore Holdco held by Mr. Wang or Mr. Ji; (ii) she confirms that the performance, amendments and termination of the Contractual Arrangements do not require her further authorization or consents; (iii) she undertakes to execute all necessary documents and to take all necessary actions to ensure the proper performance of the Contractual Arrangements; (iv) in the event that she obtains any shares in Onshore Holdco, she shall be bound by the Contractual Arrangements and comply with the obligations thereunder as a shareholder of Onshore Holdco, and upon Beijing WFOE’s request, she shall sign any document in the form and content substantially same as the Contractual Arrangements; (v) she further undertakes that she will not take any action that may violate the purpose or intention of the Contractual Arrangements under any circumstances; and (vi) any undertaking, confirmation, consent and authorization she makes shall not be invalid, prejudiced or otherwise adversely affected by reason of her loss of or restriction on capacity, death, divorce or other similar events.

Our Director believes that the above arrangements provide protection to our Group even in the event of death or divorce of any individual Registered Shareholders.

### 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 Beijing Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential 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 Onshore Holdco or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Onshore Holdco; 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 Onshore Holdco are located for interim remedies or injunctive relief.

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However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entity 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 Onshore Holdco 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 Onshore Holdco and conduct our business could be materially and adversely affected. See “Risk Factors—Risks Relating to our Contractual Arrangements” for further details.

### **Conflict of Interest**

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

### **Loss Sharing**

Neither the agreements constituting the Contractual Arrangements nor PRC laws and regulations require that our Company and Beijing WFOE be obligated to share the losses of, or provide financial support to Onshore Holdco. Further, Onshore Holdco is a company limited by shares and shall be solely liable for its own debts and losses with assets and properties owned by it. Beijing WFOE intends to continuously provide to or assist Onshore Holdco in obtaining financial support when deemed necessary. In addition, given that our Group conducts portion of its business operations in the PRC through Onshore Holdco, which holds the requisite PRC operational licenses and approvals, and that its 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 Onshore Holdco suffers losses.

However, due to the relevant restrictive provisions in the Exclusive Option Agreement as more particularly set out in the paragraphs headed “—Exclusive Option Agreement” above, the potential adverse effect on Beijing WFOE and our Company in the event of any loss suffered from Onshore Holdco is limited.

### **Liquidation**

According to the Exclusive Business Cooperation Agreement, Beijing WFOE or any person designated by Beijing WFOE are entitled to appoint members of the liquidation committee of the Onshore Holdco upon the winding up of Consolidated Affiliated Entity to manage their assets. Onshore Holdco has undertaken that in the event of a dissolution or liquidation, all of the remaining assets of Onshore Holdco shall be transferred to Beijing WFOE after such dissolution or liquidation pursuant to PRC laws.

### **Insurance**

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our

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Contractual Arrangements is set forth in “Risk Factors—Risks Relating to Our Contractual Arrangements”. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see “Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage to cover our potential liability or losses.”

### Our Confirmation

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

### 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 Advisor is of the opinion that:

- (1) parties to each of the Contractual Arrangements have obtained all necessary corporate approvals and authorizations to execute and perform the Contractual Arrangements;
- (2) parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder;
- (3) the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases:
  - (i) the Contractual Arrangements provide that any dispute shall be submitted to the Beijing Arbitration Commission 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 Onshore Holdcos or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Onshore Holdco; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our Onshore Holdco) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Onshore Holdco. However, our PRC Legal Advisor has advised that an arbitration tribunal has no power to grant injunctive relief or winding up order of companies under the PRC laws, and that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC;
  - (ii) the Contractual Arrangements provide that the shareholders of our Onshore Holdco grant Beijing WFOE or their designees the right to consist the liquidation committee upon the winding up of our Onshore Holdco to manage their assets. However, in the event of a mandatory liquidation required by the PRC laws or bankruptcy liquidation, these provisions may not be enforceable under the PRC laws.



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- (4) none of the agreements underlying the Contractual Arrangements violates provisions in the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) including in particular provisions such as Articles 144, 146, 153 and 154 thereof, regarding “impairing others’ legitimate rights and interests with malicious collusion” or falls within any circumstances under which a contract may be determined invalid pursuant to the Civil Code;
- (5) the execution and performance of the Contractual Arrangements does not violate the articles of association of Onshore Holdco;
- (6) the execution of the Contractual Arrangements does not require any pre-approvals from the PRC governmental authorities, except that:
  - (a) the pledge of any share in Onshore Holdco in favor of Beijing WFOE is subject to registration requirements with the relevant regulatory authority;
  - (b) the transfer of the share in Onshore Holdco contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;
  - (c) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to the competent PRC courts for recognition and enforcement; and
  - (d) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of our Onshore Holdco as interim remedies.

During the MIIT Consultation, our PRC Legal Advisor and the PRC Legal Advisor of the Joint Sponsors were confirmed that the adoption of such contractual arrangements currently would not be objected by the MIIT, and the MIIT has not had any record on penalizing a company adopting contractual arrangements. Our PRC Legal Advisor has advised us that the MIIT is the competent government authority for the Company’s operation of PaaS infrastructure and are competent to interpret the relevant PRC laws, regulations and rules applicable to the industry in which our Company currently operates its PaaS infrastructure and is competent to make the aforesaid confirmation. Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be challenged by or subject to penalties from the MIIT.

However, as advised by our PRC Legal Advisor, 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 governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Advisor. We have been further advised by our PRC Legal Advisor that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the relevant businesses, we could be subject to severe penalties, which could include:

- (1) revoking the business and operating licenses of the Beijing WFOE and our Onshore Holdco;
- (2) restricting or prohibiting related party transactions between the Beijing WFOE and our Onshore Holdco;

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- (3) imposing fines or other requirements with which we, the Beijing WFOE and our Onshore Holdco may find it difficult or impossible to comply with;
- (4) requiring us, the Beijing WFOE and our Onshore Holdco to restructure the relevant ownership structure or operations; and
- (5) restricting or prohibiting the use of any [REDACTED] from the [REDACTED] to finance our business and operations in the PRC.

The imposition of any these penalties could have a material adverse effect on our ability to conduct our business. See “Risk Factors—Risks Relating to Our Contractual Arrangements”.

### Accounting Aspects of the Contractual Arrangements

#### *Consolidation of Financial Results of Consolidated Affiliated Entity*

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Beijing WFOE, Onshore Holdco will pay service fees to Beijing WFOE as stipulated above. Accordingly, Beijing WFOE has the ability, at its sole discretion, to obtain between September 25, 2018 and May 17, 2021, substantially all and, since May 17, 2021 all of the economic benefits of Onshore Holdco through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Beijing WFOE has absolute contractual control over the distribution of dividends or any other amounts to the shareholders of Onshore Holdco as Beijing WFOE’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit, distribution, dividend or proceeds from liquidation of Onshore Holdco, the Registered Shareholders must timely gift such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Beijing WFOE or any person(s) designated by it.

As a result of the Contractual Arrangements, our Company has obtained control of Onshore Holdco through Beijing WFOE and, at our Company’s sole discretion, can receive, between September 25, 2018 and May 17, 2021, substantially all and, since May 17, 2021, all of the economic interest returns generated by Onshore Holdco. Accordingly, Onshore Holdco’s results of operations, assets and liabilities, and cash flows are consolidated into our Group’s Historical Financial Information.

In this regard, our Directors are of the view that, notwithstanding the lack of equity ownership, the Contractual Arrangements effectively provide Beijing WFOE the power to govern and control our Onshore Holdco so as to obtain benefits from its business activities. The basis of consolidating the results of our Onshore Holdco is disclosed in Note 2 to the Accountant’s Report set out in Appendix I to this Document.

### Development in the PRC Legislation

#### *The Foreign Investment Law (2019)*

PRC Foreign Investment Law (2019) (the “**Foreign Investment Law**”) was adopted at the 2nd Session of the 13th National People’s Congress of the PRC on March 15, 2019 and came into force from January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Wholly Foreign-Owned Enterprises

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to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Regulations on Implementing the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

### *Implications and Impact of Foreign Investment Law on Contractual Arrangements*

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of Onshore Holdco, by Beijing WFOE, through which we operate our business in the PRC. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. The Regulations on Implementing the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As such, we are advised by our PRC Legal Advisor that the relevant agreements under the Contractual Arrangements do not contravene the Foreign Investment Law in any material aspect. However, we are further advised by our PRC Legal Advisor 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 governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Advisor. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of Onshore Holdco will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk factors—Risks relating to Our Contractual Arrangements—Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations”.