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## CONTRACTUAL ARRANGEMENTS

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### PRC CONTRACTUAL ARRANGEMENTS

#### Regulatory Background

##### *Overview*

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (the “**Encouraging Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divides industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted”, and “prohibited.” Industries not listed in the Encouraging Catalog and the Negative List are generally deemed as falling into a fourth category “permitted.” The currently effective Negative List is the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (the “**2021 Negative List**”), which became effective on January 1, 2022. As advised by our PRC Legal Adviser, a summary of our business/operation that is subject to foreign investment restriction or prohibition in accordance with the Negative List, the Encouraging Catalog and other applicable PRC laws and on certain interview with governmental authority is set out below (the “**Relevant Businesses**”):

As advised by our PRC Legal Adviser, Article 51 of the Postal Law of the PRC (中華人民共和國郵政法) prohibits foreign investment in a business that operates and provides domestic express delivery of letters. Similarly, according to the 2021 Negative List, promulgated by the NDRC and the MOFCOM, postal services and domestic express delivery of letters are industries where foreign investment is not permitted, i.e., prohibited categories.

Pursuant to the Administrative Measures on the Courier Service Market (快遞市場管理辦法) and the Administrative Measures on Courier Service Operation Permits (快遞業務經營許可管理辦法), any entity operating courier services within a province, autonomous region or municipality, including but not limited to delivery of letters, parcels and other items, must obtain a Courier Service Operation Permit (快遞業務經營許可證) from the provincial Postal Administrations, and any entity operating courier services across multiple provinces, including but not limited to delivery of letters, parcels and other items, must obtain a cross-provincial Courier Service Operation Permit (快遞業務經營許可證) from the State Post Bureau (國家郵政局).

Given that the Company provides an integrated service with respect to its express delivery services and it is unlikely for the Company to be able to successfully apply for two separate Courier Service Operation Permits for two separate entities using the same stations, facilities and service network, we believe that it is neither legally nor commercially practicable to separate the domestic express delivery of non-letters from the Company’s domestic express delivery of letters which rely on the Courier Service Operation Permit and/or are subject to foreign ownership restrictions pursuant to the 2021 Negative List (the “**Prohibited Businesses**”) for the following reasons:

- (a) we currently do not distinguish between letters and non-letters at our service stations and it would be impracticable from a manpower and cost perspective for us to enforce additional categorisations at such customer service stations as all customer service stations currently use the same finance, accounting and logistics management technology systems;

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- (b) our delivery facilities and personnel are currently fully integrated and it would incur significant additional costs for us to consciously delineate the delivery of letters and non-letters due to the need to form separate administrative systems, retrain our personnel and revamp our current service interface; and
- (c) the use of a single integrated system for both letters and non-letters would enable us to maximise economies of scale and our data integrated platforms allows us to enhance our network management, service quality management, customer relationship management, transportation management and device and materials management. This enhances the customer experience and also reduces inefficiencies and wastage across our network, allowing us to provide better service at a lower cost to retain our competitive advantage.

Our PRC Legal Adviser conducted verbal consultations in February and June 2023 with market regulation offices of 17 provincial Postal Administrations (the “**Regulatory Consultations**”), during which the corresponding officers confirmed that (i) applicants must fulfill a number of conditions to obtain a Courier Service Operation Permit, including whether the applicant has its own standalone delivery stations, facilities, delivery capability and service network; and (ii) a separate Courier Service Operation Permit will not be issued to two separate entities which use the same delivery stations, facilities, delivery personnel and service network. As advised by our PRC Legal Adviser, the daily duties of such provincial Postal Administrations, include, among others: (i) the review of application for provincial Courier Service Operation Permit; (ii) the review and verification for application of cross-provincial Courier Service Operation Permit under the direction of the State Post Bureau; (iii) the implementation of market entry and exit rules of courier and postal services in accordance with applicable laws; and (iv) the enforcement of the national and provincial courier and postal services related laws and regulations. In light of the foregoing, our PRC Legal Adviser is of the view that such consulted officials are competent persons to give the above confirmation.

Consequently, it is unlikely that our Company can obtain or will in the foreseeable future obtain separate cross-provincial Courier Service Operation Permits for two separate entities which use the same delivery stations, facilities, delivery personnel and service network. In other words, as advised by our PRC Legal Adviser, two separate entities under the Group may obtain a cross-provincial Courier Service Operation Permits only if their delivery stations, facilities, delivery personnel and service network do not overlap.

J&T Express China is currently holding a cross-provincial Courier Service Operation Permit. J&T Express China is a wholly-owned subsidiary of Shanghai Yishangshiye (the “**PRC Holdco**”), which is a Consolidated Affiliated Entity of the Company.

In addition, following the acquisition of BEST Express China, the Group acquired another cross-provincial Courier Service Operation Permit by acquiring 100% of the equity interests in Hangzhou BEST on December 8, 2021. The two cross-provincial Courier Service Operation Permits held by each of J&T Express China and Hangzhou BEST are based on their respective standalone delivery stations, facilities, delivery personnel and service network before the acquisition of BEST Express China. As of the Latest Practicable Date, all of the aforesaid delivery stations, facilities, delivery personnel and service network had been all consolidated to have been possessed and operated by J&T Express China. After the completion of the consolidation, Hangzhou BEST will not possess any delivery stations, facilities, delivery personnel or service network, and will dispose of its cross-provincial Courier Service Operation Permit in due course.

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The Contractual Arrangements also include certain business that are not relying on the Courier Service Operation Permit and/or not subject to foreign ownership restrictions pursuant to the 2021 Negative List, which is the short messaging service (“SMS”) business. The revenue contribution of the SMS business under the Contractual Arrangements to our Group amounted to approximately 0.03%, 0.03% and 0.06% for the years ended December 31, 2020, 2021 and 2022, respectively, with the remaining revenue contribution under the Contractual Arrangements arising from Prohibited Businesses. As at the date of this document, the Company has started the separation of the SMS business from the PRC Contractual Arrangements by transferring the entire equity interests of the Consolidated Affiliated Entity which operates the SMS business to a wholly owned subsidiary of the Company. The restructuring is expected to be completed within 6 months. Before completion of the restructure, the Company confirms that it will (and will have measures in place to) ensure the SMS business under the PRC Contractual Arrangements will remain immaterial after the [REDACTED] and its annual revenue contribution relative to the Group will be below 5%. Our finance department will monitor the proportion of revenue generated from the SMS business and report the status to our senior management on a quarterly basis, and, our audit committee will also review the proportion of the revenue generated from the SMS business on a quarterly basis, to ensure it will remain below 5% and will make adequate disclosure on an ongoing basis in our Company’s annual report after the [REDACTED].

For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, see “Regulatory Overview”.

### Overview of Our PRC Contractual Arrangements

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, and to maintain the business operations and the effectiveness of license and permits held by J&T Express China, J&T Express China and its relevant holding company and subsidiaries which are engaged in the domestic express delivery of letters business must be controlled by the Company through the Contractual Arrangements.

The PRC Holdco, Shanghai Yishangshiye is held by Wu Rongmei (吳蓉眉) as to 99% and Liu Wei (劉偉) as to 1%. Wu Rongmei (吳蓉眉) is the office manager of J&T Express China and the director of J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司) and J&T Express China and Liu Wei (劉偉) is the supervisor of J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司) and J&T Express China. Both Wu Rongmei (吳蓉眉) and Liu Wei (劉偉) have been the Group’s PRC regional senior managers since the Group entered the China market. Considering their rich industry experience, their long time commitment to and in-depth understanding of the Group, the Company considers that they are suitable to be the PRC Registered Shareholders.

The PRC Contractual Arrangements (set out in more detail below) allow for our Company (or our wholly-owned subsidiaries) to exercise control of our Consolidated Affiliated Entities. Further, the PRC Registered Shareholders have, in the shareholder rights proxy agreement, given its irrevocable undertakings that address potential conflicts of interests that may arise in connection with the PRC Contractual Arrangements.

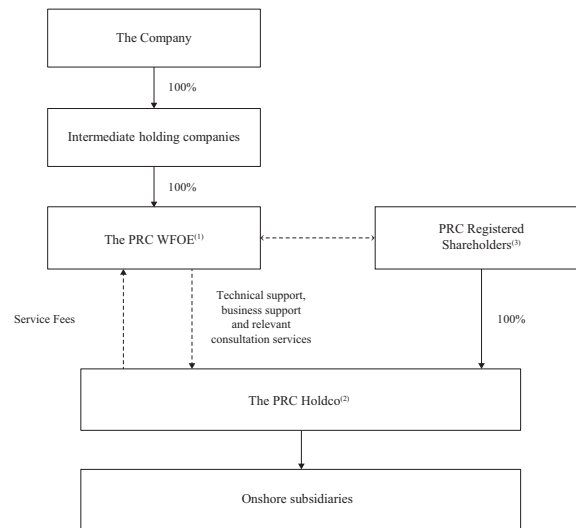
In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses

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currently operated by the Consolidated Affiliated Entities through the PRC Contractual Arrangements between the PRC WFOE, on the one hand, and Shanghai Yishangshiye and its shareholders, on the other hand. The PRC Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were subsidiaries of our Group.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. In replacement of certain of the previous contractual arrangements and to comply with the requirements set out in HKEX-LD43-3, the PRC Contractual Arrangements currently in effect were entered into on January 18, 2023, whereby the PRC WFOE have acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. As advised by the Company’s PRC Legal Adviser, the Company will not incur additional PRC income tax and business tax as a result of the termination and replacement of the previous contractual arrangements on the basis that there was no material change to the contractual arrangements.

Our Directors believe that the PRC Contractual Arrangements conferring significant control and economic benefits from Shanghai Yishangshiye to the Company are fair, enforceable and reasonable because: (i) the PRC Contractual Arrangements were freely negotiated and entered into between the PRC WFOE and Shanghai Yishangshiye; (ii) by entering into the exclusive business cooperation agreement with our PRC WFOE, which is our Group’s subsidiary incorporated in the PRC, Shanghai Yishangshiye will enjoy significant control and economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.



*Notes:*

- (1) The PRC WFOE provides technical support, business support and relevant consultation services in exchange for service fees from Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Exclusive Business Cooperation Agreement”.
- (2) The PRC Holdco refers to Shanghai Yishangshiye, which is owned by the PRC Registered Shareholders, namely as to 99% by Wu Rongmei (吳蓉眉) and 1% by Liu Wei (劉偉), respectively.

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- (3) The PRC Registered Shareholders executed an exclusive option agreement in favor of the PRC WFOE for the acquisition of all or part of the equity interests in and all or part of the assets of Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Exclusive Option Agreement”. The PRC Registered Shareholders executed shareholder rights proxy agreements in favor of the PRC WFOE, for the exercise of all shareholders’ rights in Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Shareholder Rights Proxy Agreement”. The PRC Registered Shareholders granted security interests in favor of the PRC WFOE, over the entire equity interests in Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Equity Pledge Agreement”.
- (4) “→” denotes beneficial ownership in the equity interest. The PRC WFOE is an indirect wholly-owned subsidiary of the Company.
- (5) “→→” denotes contractual relationship.
- (6) “←→” denotes the control by the PRC WFOE over the PRC Registered Shareholders and Shanghai Yishangshiye through (i) proxy agreement to exercise all shareholders’ rights in Shanghai Yishangshiye, (ii) exclusive options to acquire all or part of the equity interests and assets of Shanghai Yishangshiye and (iii) equity pledges over the equity interests in Shanghai Yishangshiye.

Our Group will adopt the following measures to further enhance our Group’s control over the PRC Holdco: (a) as part of the internal control measures, major issues arising from implementation of the PRC Contractual Arrangements with the PRC Holdco and onshore subsidiaries will be regularly reviewed, at least on an annual basis, by the Board upon [REDACTED]. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the PRC Contractual Arrangements; (b) the relevant business units and operation divisions of our Group will report regularly to the senior management of our Company in relation to compliance and performance conditions under the PRC Contractual Arrangements and other related matters; and (c) the company seals and crucial corporate certificates of the PRC Holdco are kept by our Group’s administrative department. Any employee of our Group (including the PRC Registered Shareholders) who wishes to use the seals will have to obtain internal approval from the business, finance and legal departments of the Group, as well as approval from the senior management members of our Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed.

### **Circumstances under which we will unwind the PRC Contractual Arrangements**

Our Group will unwind and terminate the PRC Contractual Arrangements as soon as practicable in respect of the operation of our supply chain solutions and logistics services business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations in the event that PRC regulatory restrictions on foreign ownership of the relevant business cease to exist or allow the relevant business to be held by sino-foreign equity joint ventures or wholly-owned foreign investment entities.

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

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



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### *Exclusive Business Cooperation Agreement*

As part of the PRC Contractual Arrangements, Shanghai Yishangshiye entered into the exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**") with the PRC WFOE, pursuant to which, in exchange for service fees, Shanghai Yishangshiye agreed to engage the PRC WFOE as its exclusive provider of the following technical support, business support and relevant consultation services:

- the license of relevant software and technologies to Shanghai Yishangshiye which are legitimately owned by the PRC WFOE and required by Shanghai Yishangshiye's businesses;
- the development, maintenance and updates of relevant software required by Shanghai Yishangshiye's businesses;
- the design, installation, daily management, maintenance and updating of computer and network systems, hardware equipment and database;
- the development and testing of new products;
- the technical support and professional trainings for Shanghai Yishangshiye's staff;
- the assistance for Shanghai Yishangshiye in consultations, collections and surveys of technical and market information (other than those market surveys which are prohibited from being conducted by a wholly foreign-owned entity according to PRC laws);
- providing enterprise management consultation for Shanghai Yishangshiye;
- leasing of equipment and assets; and
- other relevant technical services and consultation services as required by Shanghai Yishangshiye from time to time to the extent permitted by PRC laws.

The service fees shall consist of 100% of the total profit of Shanghai Yishangshiye and its subsidiaries in any given financial year, after the deduction of any accumulated deficit of Shanghai Yishangshiye and its subsidiaries in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions required in any given financial year. Notwithstanding the foregoing, the PRC WFOE may adjust the scope and amount of service fees in accordance with PRC tax law principles and tax practices, and with reference to the working capital needs of Shanghai Yishangshiye and its subsidiaries, and Shanghai Yishangshiye will accept any such adjustment. The PRC WFOE may adjust the sharing ratio, payment amount, calculation of service fees and payment method with a written notice.

The PRC WFOE and Shanghai Yishangshiye, during the term of the Exclusive Business Cooperation Agreement and where necessary, may enter into further technical service agreement and/or consultation service agreement between Shanghai Yishangshiye and the PRC WFOE or its designated person, which shall provide the specific contents, methods, personnel, and fees for the specific services.

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In addition, absent the prior written consent of the PRC WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement, Shanghai Yishangshiye shall not accept the same or any similar consultation or services provided by any third party and shall not establish similar cooperation relationships with any third party. The PRC WFOE has the right to appoint any third party to provide services specified under the Exclusive Business Cooperation Agreement.

Shanghai Yishangshiye grants the PRC WFOE an irrevocable and exclusive purchase option right to, at the sole discretion of the PRC WFOE and to the extent permitted by PRC laws, purchase all or any part of assets of Shanghai Yishangshiye and its subsidiaries at the lowest price permitted by PRC laws. To secure Shanghai Yishangshiye's performance of the Exclusive Business Cooperation Agreement, Shanghai Yishangshiye agrees to provide the PRC WFOE a guarantee with its receivables arising from daily operation and all of its assets.

The Exclusive Business Cooperation Agreement also provides that the PRC WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Shanghai Yishangshiye and its subsidiaries during the performance of the Exclusive Business Cooperation Agreement. Shanghai Yishangshiye may register certain intellectual property rights designated by the PRC WFOE under the name of Shanghai Yishangshiye and its subsidiaries as required by businesses of Shanghai Yishangshiye, but Shanghai Yishangshiye shall, and shall procure its subsidiaries to, transfer such intellectual property rights to the PRC WFOE upon request by the PRC WFOE for free or at the lowest price permitted by law. The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement or mandatory provisions of PRC laws; (b) in writing by the PRC WFOE; (c) renewal of the expired business period of either the PRC WFOE or Shanghai Yishangshiye is declined or rejected by relevant government authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon termination of that business period; or (d) in the event that the PRC WFOE or their subsidiaries are able to conduct the Relevant Businesses directly as a result of being permitted to do so under the then-applicable PRC laws, and the entire equity interests of Shanghai Yishangshiye or all of Shanghai Yishangshiye and its subsidiaries' assets have been transferred to the PRC WFOE or its appointee(s).

### *Exclusive Option Agreement*

As part of the PRC Contractual Arrangements, the PRC Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreement**") with Shanghai Yishangshiye and the PRC WFOE. Pursuant to the Exclusive Option Agreement, the PRC WFOE has the exclusive, irrevocable and unconditional right to purchase, or to designate one or more persons/entities to purchase, from the PRC Registered Shareholders all or any part of its equity interests in Shanghai Yishangshiye and from Shanghai Yishangshiye all or any part of the assets of Shanghai Yishangshiye and its subsidiaries at any time in the PRC WFOE's absolute discretion in accordance with the provisions of the Exclusive Option Agreement and to the extent permitted by the PRC laws. The consideration in relation to purchasing shares from the PRC Registered Shareholders of Shanghai Yishangshiye shall be the amount of contributed registered capital made by the PRC Registered Shareholders corresponding to the shares to be purchased, or the lowest price as permitted by the applicable PRC laws, whichever is lower. The consideration in relation to purchasing assets from Shanghai Yishangshiye shall be the lowest price as permitted under the applicable PRC laws. The aforesaid consideration shall be paid within seven (7) days upon transfer.

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Each of Shanghai Yishangshiye and the PRC Registered Shareholders has covenanted that, as applicable, among other things:

- without the prior written consent of the PRC WFOE, it shall not in any manner supplement, change or amend the constitutional documents of Shanghai Yishangshiye, increase or decrease its registered capital, or change the structure of its shareholding in other manner;
- it shall maintain Shanghai Yishangshiye's corporate existence in accordance with good financial and business standards and practices, and prudently and effectively operate its business and handle its affairs;
- without the prior written consent of the PRC WFOE, it shall refrain from any action/omission that may adversely affect Shanghai Yishangshiye's assets, businesses or liabilities; without the prior written consent of the PRC WFOE, it shall not at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any legal or beneficial interest in the assets, business or revenues of Shanghai Yishangshiye, or allow the encumbrance thereon of any security interest;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not incur, inherit, guarantee or assume any debt, except for (i) debts incurred in the ordinary course of business other than payables incurred by a loan, and (ii) debts already disclosed to the PRC WFOE and for which written approval has already been obtained from the PRC WFOE;
- Shanghai Yishangshiye shall always operate all of its businesses during the ordinary course of business to maintain its asset value and refrain from any action/omission that may adversely affect Shanghai Yishangshiye's operating status and asset value;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not execute any material contracts (for the purpose hereof, a contract with a value above RMB10,000,000), except for contracts executed in the ordinary course of business;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not provide any person with any loan or guarantee;
- it shall provide the PRC WFOE with information on Shanghai Yishangshiye's business operations and financial condition at the request of the PRC WFOE;
- without the prior written consent of the PRC WFOE, it shall not cause or permit Shanghai Yishangshiye to merge, consolidate with, acquire or invest in any person;
- it shall immediately notify the PRC WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Shanghai Yishangshiye's assets, businesses or revenues;
- to maintain the ownership by Shanghai Yishangshiye of all of its assets, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or complaints or raise necessary and appropriate defences against all claims;



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- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not in any manner distribute dividends, provided that upon the written request of the PRC WFOE, Shanghai Yishangshiye shall immediately distribute all distributable profits to their shareholders;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not proceed with dissolution or liquidation;
- once PRC laws permits foreign invested enterprises to operate the businesses which Shanghai Yishangshiye is engaged in, the PRC Registered Shareholders shall transfer all of its equity interests in Shanghai Yishangshiye to the PRC WFOE or a person appointed by the PRC WFOE, and/or Shanghai Yishangshiye shall transfer all of the assets of Shanghai Yishangshiye and its subsidiaries to the PRC WFOE or a person appointed by the PRC WFOE; and
- to the extent permitted by PRC laws, the PRC WFOE shall have the right to exercise the exclusive option right against the PRC Registered Shareholders or the legitimate successors or representatives of the PRC Registered Shareholders pursuant to the terms and conditions of the Exclusive Option Agreement in the event of death, divorce, incapacity, bankruptcy of the PRC Registered Shareholders or other circumstances which causes his/her inability to exercise his/her rights as a shareholder of Shanghai Yishangshiye.

The aforementioned covenants shall also apply to all the subsidiaries of Shanghai Yishangshiye.

In addition, each of the PRC Registered Shareholders has covenanted that:

- upon a request by the PRC WFOE, it shall consent and appoint the persons appointed by the PRC WFOE to act in the positions of director, general management and other senior management, change such appointment at any time as required by the PRC WFOE, and proactively cooperate to proceed with such appointment and change of appointment, including without limitation, executing necessary documents and making filings with the corresponding administration for market regulation with respect to such appointment or change of appointment;
- to the extent permitted by PRC laws, upon the request by the PRC WFOE, it shall transfer all or any part of its equity interests in Shanghai Yishangshiye to the PRC WFOE or a person appointed by the PRC WFOE immediately and unconditionally at any time, and relinquish the right of first refusal it is entitled to in relation to any equity interests to be transferred by any other existing shareholder of Shanghai Yishangshiye. It shall proactively cooperate to proceed with such equity transfer, including without limitation, executing necessary documents and filing with the corresponding administration for market regulation with respect to such equity transfer; in addition, it shall pay to the PRC WFOE or its designated persons all consideration received in connection such transfer in accordance with Exclusive Option Agreement;
- it will immediately gift any profits or dividends received from Shanghai Yishangshiye in accordance with the written consent by the PRC WFOE to the PRC WFOE or a representative appointed by the PRC WFOE to the extent permitted by the PRC laws;

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- it shall strictly abide by the provisions of the Exclusive Option Agreement and other agreements entered into with Shanghai Yishangshiye and the PRC WFOE, perform the obligations under these agreements in a practical manner, and refrain from any action/omission which would affect the validity and enforceability of such agreements;
- it will gift any liquidation proceeds received from Shanghai Yishangshiye (if any) due to any liquidation of Shanghai Yishangshiye caused by any reason (including bankruptcy) to the PRC WFOE or a representative appointed by the PRC WFOE to the extent permitted by the PRC laws.

The aforementioned covenants shall also apply to all the subsidiaries of Shanghai Yishangshiye.

The Exclusive Option Agreement shall remain effective unless terminated (i) in the event that the entire equity interests held by the PRC Registered Shareholders in Shanghai Yishangshiye or all of Shanghai Yishangshiye and its subsidiaries' assets have been transferred to the PRC WFOE or its appointee(s); or (b) in writing by the PRC WFOE.

### *Loan Agreement*

The PRC WFOE and the PRC Registered Shareholders have executed a loan agreement (the "**Loan Agreement**"). Pursuant to the Loan Agreement, the PRC WFOE enjoys the right of the creditor against the PRC Registered Shareholders in an aggregate amount of RMB10 million (the "**Loans**"), and such loans have been used for contribution to paid-in capital of Shanghai Yishangshiye. Pursuant to the Loan Agreement, the PRC Registered Shareholders can only repay the Loans by the transfer of all their equity interest in Shanghai Yishangshiye or all of the assets of Shanghai Yishangshiye and its subsidiaries to the PRC WFOE or its designated third party upon the exercise by the PRC WFOE of the exclusive option right pursuant to the terms and conditions of the Exclusive Option Agreement, and the PRC Registered Shareholders shall pay all of the proceeds from transfer of such equity interests or assets (to the extent permitted under PRC law) to the PRC WFOE for such repayment. In the event that the PRC Registered Shareholders transfer their equity interests or assets to the PRC WFOE or its designated person with a price equivalent to or less than the amount of the principal, the Loans will be deemed as interest free. If the price is higher than the amount of the principal, the excess amount will be paid to the PRC WFOE as the loan interest. The term of the Loans shall terminate when the PRC WFOE exercises the exclusive option right pursuant to the terms and conditions of the Exclusive Option Agreement. The Loans must be repaid immediately under certain circumstances, including, among others, (i) upon the expiration of 30 days after the PRC WFOE sends a written notice requesting repayment of the Loans; (ii) in the event of death, divorce, incapacity, bankruptcy of the PRC Registered Shareholders or other circumstances which causes his/her inability to exercise his/her rights as a shareholder of Shanghai Yishangshiye; (iii) if the PRC Registered Shareholders engage in criminal acts or are involved in criminal activities; or (iv) if a foreign investor is permitted to invest in PRC in form of holding majority or 100% equity interest for principal business currently conducted by Shanghai Yishangshiye and its subsidiaries and branches according to applicable PRC law, relevant PRC authorities begin to approve such business, and the PRC WFOE elects to exercise its exclusive purchase option pursuant to the Exclusive Option Agreement.

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### *Shareholder Rights Proxy Agreement*

Each of the PRC Registered Shareholders has executed the shareholder rights proxy agreement (the “**Proxy Agreement**”). Under the Proxy Agreement, the PRC Registered Shareholders irrevocably appointed the PRC WFOE and its designated persons (including but not limited to the directors of the parent company of the PRC WFOE and their successors and the liquidators replacing such directors or successors) as its exclusive agent to exercise on its behalf, any and all rights that it has in respect of its equity interests in Shanghai Yishangshiye, including without limitation: (i) to propose, convene and attend shareholder’s meetings of Shanghai Yishangshiye according to its articles of association, and to exercise the rights of voting and making decisions on behalf of the PRC Registered Shareholders on all matters required to be resolved by shareholders;; (ii) to exercise any shareholder rights it is entitled to as shareholder of Shanghai Yishangshiye according to its articles of association, including but not limited to any right to dividends and right to sell, transfer, pledge or dispose of all or any part of the PRC Registered Shareholders’ equity interests in Shanghai Yishangshiye; (iii) to transfer the equity interest or approve to transfer the assets of Shanghai Yishangshiye, decrease registered capital of Shanghai Yishangshiye, accept capital increases to Shanghai Yishangshiye by the PRC WFOE or its designated person, execute relevant equity transfer agreements, asset transfer agreements (if applicable), capital decrease agreements, capital increase agreements, shareholder resolutions, meeting minutes and other relevant documents on behalf of the PRC Registered Shareholders, proceed with necessary approvals, registrations, filings or submissions with governmental authorities and companies registry for the aforesaid matters; (iv) to bring litigation or take other legal actions against the legal representative, director(s), supervisor(s), general manager or other members of senior management of Shanghai Yishangshiye if any conduct of the aforesaid has damaged the interests of the PRC WFOE or its shareholder(s); and (v) to exercise all other shareholders’ rights under Shanghai Yishangshiye’s articles of association and other applicable PRC laws and regulations.

The Proxy Agreement is irrevocable and shall remain effective, and may only be terminated in the event that (i) it is terminated in accordance with mandatory provisions of PRC laws; (ii) in writing by the PRC WFOE; (iii) the business period of any party to the Proxy Agreement expires; or (iv) the PRC Registered Shareholder has transferred all of its equity interests in Shanghai Yishangshiye pursuant to the prior written consent by the PRC WFOE, or has decreased the registered capital of Shanghai Yishangshiye to the extent it does not own any equity interests in Shanghai Yishangshiye, and has completed the relevant government procedures.

The Proxy Agreement also provides that, in order to avoid potential conflicts of interest where the PRC Registered Shareholders, are officers or directors of the Group, any exercise of the rights under the Proxy Agreement shall be in favor of our Company.

### *Equity Pledge Agreement*

As part of the PRC Contractual Arrangements, the PRC Registered Shareholders have entered into the equity pledge agreement (the “**Equity Pledge Agreement**”) with Shanghai Yishangshiye and the PRC WFOE. Pursuant to the Equity Pledge Agreement, the PRC Registered Shareholders agree to pledge all its equity interests in Shanghai Yishangshiye, including any interest or dividend paid for the shares, to the PRC WFOE as a security interest to guarantee the performance of contractual obligations under the relevant PRC Contractual Arrangements.

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The equity pledges under the Equity Pledge Agreement comes into effect upon completion of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the PRC Registered Shareholders and Shanghai Yishangshiye under the relevant PRC Contractual Arrangements have been fully performed. Pursuant to the Equity Pledge Agreement, the PRC Registered Shareholders and Shanghai Yishangshiye agree that, without prior written consent from the PRC WFOE, the PRC Registered Shareholders shall not transfer the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), the PRC WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreement and any applicable PRC laws, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the PRC Registered Shareholders.

As of the Latest Practicable Date, the registrations of the Equity Pledge Agreement in relation to PRC Registered Shareholders had been completed.

### *Spouse Undertakings*

The spouse of each of the relevant PRC Registered Shareholders, where applicable, has signed undertakings to the effect that (i) he/she has no right to or control over such interests of the respective PRC Registered Shareholder and will not have any claim on such interests, or exert influence on the day-to-day management or voting matters of Shanghai Yishangshiye; (ii) confirms that the respective spouse may further amend or terminate the PRC Contractual Arrangements without the need for authorization or consent by him/her; (iii) the respective spouse's interests in Shanghai Yishangshiye (together with any interests therein) do not fall within the scope of communal property; and (iv) if he/she is transferred any shares of Shanghai Yishangshiye for any reason, he/she will be bound by the PRC Contractual Arrangements and will observe obligations contained in such agreements, and will sign all necessary documents and to take all necessary actions to ensure the PRC Contractual Arrangements are properly preformed.

### *Other key terms thereunder*

#### *Dispute resolution*

Each of the PRC Contractual Arrangements stipulates that the parties thereto shall negotiate in good faith to resolve any dispute with respect to the construction and performance of the provisions of any such PRC Contractual Arrangements. In the event the parties fail to resolve such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Shanghai, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The PRC Contractual Arrangements also provide that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of Shanghai Yishangshiye and its subsidiaries, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Shanghai Yishangshiye and its subsidiaries; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdiction (being the place where the principal assets of Shanghai Yishangshiye and

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its subsidiaries and the PRC WFOE are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity or property interest of Shanghai Yishangshiye.

However, our PRC Legal Adviser has advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Shanghai Yishangshiye under PRC laws; (ii) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the PRC Contractual Arrangements.

As a result of the above, in the event that Shanghai Yishangshiye or the PRC Registered Shareholders breaches any of the PRC Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shanghai Yishangshiye and conduct our business could be materially and adversely affected. See Risk Factors – Risks Related to Our Corporate Structure – We rely on Contractual Arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. for details.

### *Arrangements to address potential conflicts of interest*

Each of the PRC Registered Shareholders has, in the Proxy Agreement, given his/her irrevocable undertakings to address potential conflicts of interests that may arise in connection with the PRC Contractual Arrangements. For further details, see “– Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Shareholder Rights Proxy Agreement” in this section.

### *Loss sharing*

None of the agreements constituting the PRC Contractual Arrangements provides that our Company or the PRC WFOE is obligated to share the losses of Shanghai Yishangshiye, but if Shanghai Yishangshiye or any of its subsidiaries suffers any losses or material difficulties of business, the PRC WFOE may adjust the amount or percentage of service fees at its discretion under the terms of the Exclusive Business Cooperation Agreement. Further, each of Shanghai Yishangshiye and its subsidiaries is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or the PRC WFOE and its subsidiaries are not expressly required to share the losses of Shanghai Yishangshiye or provide financial support to Shanghai Yishangshiye. Despite the foregoing, given that our Consolidated Affiliated Entities conduct the Relevant Businesses in the PRC through J&T Express China (and Hangzhou BEST until its permit is deregistered) which hold the requisite PRC permit and approvals and that results of operations and assets and liabilities of the Consolidated Affiliated Entities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

### *Liquidation*

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by PRC laws, Shanghai Yishangshiye shall sell all of its assets, to the extent permitted by PRC laws, to the PRC WFOE or another qualifying entity designated by the PRC WFOE, at the lowest selling price permitted by applicable PRC laws. Any obligation for the PRC WFOE to



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pay Shanghai Yishangshiye as a result of such transaction shall be waived by Shanghai Yishangshiye and any profits arising from the above transactions shall be paid to the PRC WFOE or the qualifying entity designated by the PRC WFOE in partial satisfaction of the service fees under the Exclusive Business Cooperation Agreement, as applicable under the then-current PRC laws. Accordingly, in the event of winding up of Shanghai Yishangshiye, a liquidator may seize the relevant assets of Shanghai Yishangshiye through the PRC WFOE based on the PRC Contractual Arrangements for the benefit of our creditors/shareholders.

### *Termination*

The PRC Contractual Arrangements shall be terminated once the PRC WFOE or its designated person holds the entire equity interests in Shanghai Yishangshiye and/or the entire assets of Shanghai Yishangshiye and its subsidiaries under the then-applicable PRC laws and if the PRC WFOE or their subsidiaries are able to conduct the Relevant Businesses directly as a result of being permitted to do so under the then-applicable PRC laws and the PRC WFOE or its designated person are registered as the shareholder of Shanghai Yishangshiye. In addition, pursuant to the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Proxy Agreement, the PRC WFOE has the unilateral right to terminate these agreements at any time by providing 30 days’ advance written notice to Shanghai Yishangshiye or the PRC Registered Shareholders, as applicable.

### *Insurance*

We do not maintain an insurance policy to cover the risks relating to the PRC Contractual Arrangements.

### *Company’s confirmation*

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

### **Legality of the PRC Contractual Arrangements**

We and our PRC Legal Adviser are of the view that the PRC Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. In addition, our PRC Legal Adviser is of the opinion that:

- (i) parties to each of the PRC Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the PRC Contractual Arrangements;
- (ii) the PRC Contractual Arrangements would not be deemed as “impairing others’ legitimate rights and interests with malicious collusion” under the PRC Civil Code, which will lead the arrangements to be deemed an invalid act under the PRC Civil Code;
- (iii) none of the agreements under the PRC Contractual Arrangements violates any provisions of articles of association of the PRC WFOE or Shanghai Yishangshiye;
- (iv) the parties to each of the PRC Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that (a) the pledge under the equity pledge agreement is required to be registered with the administration for market regulation; (b) the exercise of the option by the PRC WFOE of its rights under the Exclusive Option Agreement to acquire all or part of the equity

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interests in Shanghai Yishangshiye is subject to the approvals of, consent of, filing with and/or registration with the PRC governmental authorities; and (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the PRC Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement.

- (v) each of the PRC Contractual Arrangements is valid and binding on the parties under the PRC laws, except in relation to the dispute resolution clause under these agreements. These agreements provide that any dispute shall be submitted to the Shanghai Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The PRC Contractual Arrangements also provide that the arbitrator may award interim remedies over the shares or assets of the Consolidated Affiliated Entities or injunctive relief or order the winding-up of Shanghai Yishangshiye and its subsidiaries; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Adviser has advised that the tribunal normally would not grant such injunctive relief or order the winding-up of the Consolidated Affiliated Entities pursuant to PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

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

Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the adoption of the PRC Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See “Risk Factors – Risks Related to Our Corporate Structure – We rely on Contractual Arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations.”

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

### **DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT**

#### **Background of the Foreign Investment Law**

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law, which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Equity Joint Venture Law, the Wholly Foreign-owned Enterprise Law, and the Cooperative Joint Venture Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Rules to the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

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### Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the PRC Contractual Arrangements to establish control of Shanghai Yishangshiye, by the PRC WFOE through which we operate our business in the PRC. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and the Implementation Rules to the Foreign Investment Law, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our PRC Contractual Arrangements as a whole and each of the agreements comprising the PRC Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “ – Our Contractual Arrangements – Legality of the PRC Contractual Arrangements”.

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”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may lead to contractual arrangements being regarded as a form of foreign investment, at which time it will be uncertain whether the PRC Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned PRC Contractual Arrangements will be handled. Therefore, there is no guarantee that the PRC Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors – Risks related to our Corporate Structure – Our current corporate structure and business operations in the PRC may be substantially affected by the PRC Foreign Investment Law and implementing rules.”

### COMPLIANCE WITH THE PRC CONTRACTUAL ARRANGEMENTS

The PRC laws and regulations over the PRC Contractual Arrangements are subject to change and the Group will monitor future changes in the relevant laws and regulations. In addition, our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the PRC Contractual Arrangements and our compliance with the PRC Contractual Arrangements:

1. major issues arising from the implementation and compliance with the PRC Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
2. our Board will review the overall performance of and compliance with the PRC Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance of and compliance with the PRC Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board in reviewing the implementation of the PRC Contractual Arrangements, in reviewing the legal compliance of the PRC WFOE and Shanghai Yishangshiye and in dealing with specific issues or matters arising from the PRC Contractual Arrangements.

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### ACCOUNTING ASPECTS OF THE PRC CONTRACTUAL ARRANGEMENTS

#### Consolidation of financial results of operating entities

As a result of the PRC Contractual Arrangements among the PRC WFOE, Shanghai Yishangshiye and its shareholders, the PRC WFOE has rights to exercise power over Shanghai Yishangshiye and its subsidiaries, receives variable returns from its involvement in Shanghai Yishangshiye and its subsidiaries, has the ability to affect those returns through its power over Shanghai Yishangshiye and its subsidiaries and is considered to control Shanghai Yishangshiye and its subsidiaries. Consequently, the Company regards Shanghai Yishangshiye and its subsidiaries as consolidated affiliated entities and consolidates the assets, liabilities, and results of operations of Shanghai Yishangshiye and its subsidiaries in the consolidated financial information of the Group (as set out in Note 1.2 of Appendix I to this document).

### INDONESIA CONTRACTUAL ARRANGEMENTS

#### Regulatory Background

Foreign investment in Indonesia is primarily governed under Law of the Republic of Indonesia No. 25 of 2007 regarding Investment, issued on April 26, 2007, as partially amended by Law of the Republic of Indonesia No. 6 of 2023 on the Stipulation of the Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into a Law, dated March 31, 2023 (the “Job Creation Law,” together with Law No. 25 of 2007, the “**Investment Law**”), as implemented further under the 2021 Investment List (as defined below), and Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal, “**BKPM**”) Regulation No. 4 of 2021 and BKPM Regulation No. 5 of 2021. The Investment Law provides that all business sectors or business lines in Indonesia are open to foreign investments, except those business sectors or business lines that are expressly closed to, or restricted from, foreign investments or that can only be carried out by the central government. The business sectors that are opened to foreign investments consist of: (i) priority business sectors, (ii) business sectors allocated to be conducted via joint cooperation with Cooperatives and Micro, Small and Medium Enterprises, (iii) business sectors that are open to foreign investments subject to certain conditions, and (iv) business sectors that are not included in the abovementioned classifications. The Investment Law also stipulates that foreign direct investment in Indonesia must be in the form of a limited liability company with a minimum investment value (excluding investment amount in land and building) of more than IDR10,000,000,000 (ten billion Indonesian Rupiah) and a paid-up capital of at least IDR10,000,000,000 (ten billion Indonesian Rupiah), established under the laws of and domiciled in the Republic of Indonesia.

The Indonesian government maintains a list of business activities that are open to foreign investments, that are open but subject to certain conditions, or that are closed to foreign investments, which is known as the “**Investment List**.” The current Investment List is set forth in President Regulation of the Republic of Indonesia No. 10 of 2021 regarding Investment Business Activities, dated February 2, 2021, as amended by PR No. 49 of 2021 dated May 24, 2021 (as amended, the “**2021 Investment List**”). The 2021 Investment List was issued to implement the Job Creation Law. Foreign investors who intend to invest in Indonesia are obligated to structure their investments in accordance with the restrictions or requirements applicable to their intended business activities under the 2021 Investment List.

In addition to the 2021 Investment List, foreign investments are also regulated under the sectoral regulations of the relevant government institutions. Postal services in Indonesia are generally regulated under the Indonesian Postal Law. “**Postal Services**” are defined under Article 1 (1) of the Indonesian Postal Law as services relating to written communication and/or

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electronic letter, package, logistics, financial transaction, and postal agency service for public purposes. In addition to restrictions under the Investment Law, Postal Services are subject to other foreign ownership restrictions under the Indonesian Postal Law.

### *Restrictions on Foreign Ownership in Postal Activities*

In general, foreign investors cannot make equity investments in an Indonesian company that engages in Postal Services (a “**Postal Services Company**” as defined under the Indonesian Postal Law), subject to limited exceptions for investing in certain companies that engage in certain types postal activities.

Under Article 11 (2) of the Indonesian Postal Law, a Foreign Postal Operator is allowed to own certain equity interest in an Indonesian Postal Services Company only if: (i) a “**Foreign Postal Operator**” forms a joint venture company with a Postal Services Company that is an Indonesian domestic company, and (ii) the joint venture company’s Postal Services operations must be limited to the areas of provincial capitals, and the joint venture company does not engage in any inter-city courier services outside such provincial capitals (the “**Partnership Requirements**”). The Indonesian Postal Law defines a “Foreign Postal Operator” as a foreign company that provides postal services outside Indonesia, which requires that such foreign company directly engages in postal activities outside Indonesia and does not take into consideration any operations engaged by its affiliates.

Under the Indonesian Postal Law and the Investment Law, if these conditions are met, foreign ownership in an Indonesian joint venture with a courier business classified under Indonesia Standard Industrial Classification (Klasifikasi Baku Lapangan Usaha Indonesia) (“**KBLI**”) 53201 may be held up to 49% direct foreign shares.

The types of activities that are permitted under KBLI 53201 (Courier Activities) include commercial courier services such as collection, processing, transporting and delivery of parcels, goods, and packages, both domestic and international. For any non-compliance with the foregoing conditions, BKPM, the Indonesian Minister of Communication and Informatics (“**MOCI**”) or the relevant authority (e.g. provincial investment agency, municipal investment agency) may impose tiered administrative sanctions to be given in stages, i.e. first-and-final written warning or temporary or permanent suspensions of business activities. If the relevant authority upon providing a warning or temporary suspension regarding a non-compliant activity and no remedy or follow-up action is taken to address the concern, then the relevant authority is empowered to revoke the applicable license and suspend the business activity.

The Group has significant operations providing courier services outside provincial capitals in Indonesia (including, in particular, distributing packages to and connecting a vast majority of lower-tier cities, counties and towns), and such operations are indispensable to the Group’s overall courier services in Indonesia. Furthermore, the Group has maintained an integrated nationwide express delivery network and it is practically impossible for the Group to split off its inter-capital operations and divested from PT Global Jet Express (“**Indonesian Opco**”) and be conducted separately. For the first nine months of 2021, the Group delivered a total of 604,971,327 packages in Indonesia, of which only approximately 4.69% were between provincial capitals. If the Company were to hold any direct equity interest in a Postal Services Company, the Company may only hold equity interest in a joint venture company to be formed in accordance with the Partnership Requirements and the joint venture company would not be permitted to engage in any operation outside the provincial capitals, which would fundamentally change the Group’s current operations in Indonesia.



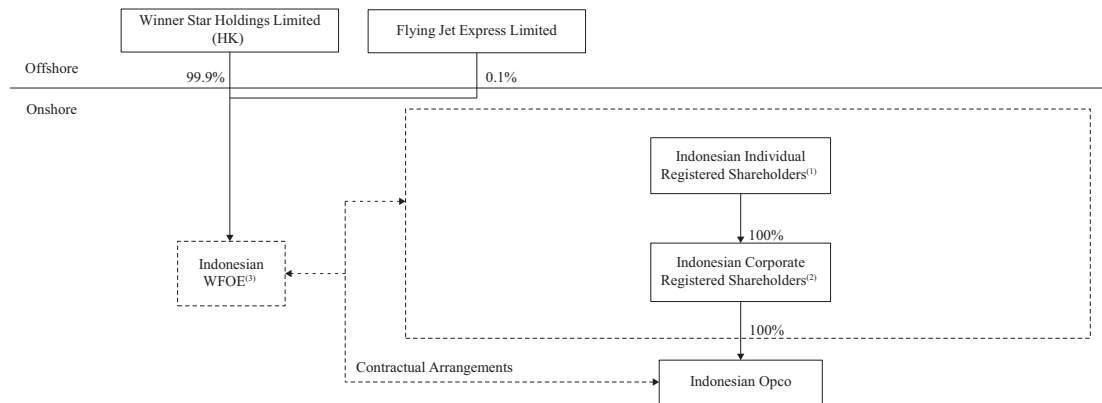
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Other than KBLI 53201 (Courier Activities) which is subject to foreign ownership restrictions under the Indonesian Postal Law and Investment Law, the Indonesian Opco also rents its vacant properties that are still within the lease period and reserved for future office use to other third parties, which is business activity under KBLI 68111 (Privately Owned or Rented Real Estates), a business activity currently not subject to Indonesian foreign investment restrictions. The revenue contribution of the KBLI 68111 business under the Indonesian Contractual Arrangements to our Group is minimal. The Company confirms that it will (and will have measures in place to) ensure the KBLI 68111 business under the Indonesian Contractual Arrangements will remain immaterial after the [REDACTED] and its annual revenue contribution relative to the Group will be below 5%. Our finance department will monitor the proportion of revenue generated from the KBLI 68111 business and report the status to our senior management on a quarterly basis, and our audit committee will review the proportion of the revenue generated from the KBLI 68111 business on a quarterly basis, to ensure it will remain below 5% and will make adequate disclosure on an ongoing basis in our Company’s annual report after the [REDACTED].

### OUR CONTRACTUAL ARRANGEMENTS

Due to the restrictions on foreign ownership for companies engaged in Postal Services, we currently hold 100% of our equity interests in the Indonesian Opco through PT Cakrawala Lintas Benua and PT Sukses Indo Investama (collectively, the “**Indonesian Corporate Registered Shareholders**”). To consolidate control over and derive the economic benefits from the Indonesian Opco to our Group, we have entered into the following contractual arrangements with the Indonesian Individual and Indonesian Corporate Registered Shareholders.

The following diagram illustrates the structure of the Indonesian Contractual Arrangements:



*Notes:*

- The Indonesian Opco refers to PT Global Jet Express, which is wholly-owned by the Indonesian Corporate Registered Shareholders, which are in turn wholly-owned by our affiliates, Mr. Effendy and Mr. Robin Lo (the “**Indonesian Individual Registered Shareholders**”), namely as to 50% by Mr. Effendy and 50% by Mr. Robin Lo. Mr. Robin Lo is the chief executive officer of PT Global Jet Express and Mr. Effendy is the assistant to chief executive officer of PT Global Jet Express. Both Robin Lo and Effendy have been the Group’s Indonesia regional senior managers since the Group entered the Indonesia market. Considering their deep understanding of the Indonesia market, their long time commitment to and in-depth understanding of the Group, the Company considers that they are suitable to be the Indonesian Individual Registered Shareholders.

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- The Indonesian Corporate Registered Shareholders executed a number of agreements in favor of the Indonesian WFOE to allow the Indonesian WFOE to consolidate control over the Indonesian Opco and derive the full economic benefits from the Indonesian Opco. See “– Summary of the Agreements under the Indonesian Contractual Arrangements and other key terms thereunder” in this section.
- The Indonesian WFOE refers to PT Cahaya Global Berjaya, an indirect wholly-owned subsidiary of the Company. It provides technical support, business support and relevant consulting services in exchange for service fees from the Indonesian Opco. See “– Summary of the Agreements under the Indonesian Contractual Arrangements and other key terms thereunder – Exclusive Technical Service Agreement” in this section.

Our Group will adopt the following measures to further enhance our Group’s control over the Indonesian Opco: (a) as part of the internal control measures, major issues arising from implementation of the Indonesian Contractual Arrangements with the Indonesian Opco will be regularly reviewed, at least on an annual basis, by the Board upon [REDACTED]. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Indonesian Contractual Arrangements; and (b) the relevant business units and operation divisions of our Group will report regularly to the senior management of our Company in relation to compliance and performance conditions under the Indonesian Contractual Arrangements and other related matters.

We will continue to monitor the status and developments of relevant Indonesian laws, rules and regulations. If there are any regulatory or policy changes that would allow the Group to restructure or terminate the Indonesian Contractual Arrangements to directly hold equity interest in the Indonesian Opco, we will adjust the shareholding structure or terminate the Indonesian Contractual Arrangements in accordance with applicable laws and regulations.

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

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

#### ***Loan Agreement***

Pursuant to a loan agreement entered into between the Indonesian WFOE and the Indonesian Opco on March 29, 2022 (the “**Loan Agreement**”), the Indonesian WFOE extended a loan in the principal amount of Rp. 3,000,000,000.00 (three billion Indonesian Rupiah) to the Indonesian Opco (the “**Loan**”). The Loan Agreement has a term of ten years and will be renewed automatically at the end of such terms for another ten years unless the lender delivers a written notice of termination. The Loan bears an interest of 9.00% per annum and was secured by the Guarantee Agreement, Share Pledge Agreements, the Power of Attorneys and the Exclusive Call Option Agreements (collectively, the “**Security Documents**”).

The Loan can only be repaid or settled by Indonesian Opco by transferring or selling the shares registered under the name of the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders to the Indonesian WFOE or a party designated by the Indonesian WFOE.

If an event of default occurs under the Loan Agreements (including, among others, the Indonesian Opco fails to perform or otherwise violates the Loan Agreement or the Security Documents, the Pledgors (as defined below) fail to be the registered shareholders of the Indonesian Opco or the Indonesian Corporate Registered Shareholders, occurrence of an event of default under the Exclusive Technical Service Agreement, or the Indonesian Opco or any

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parties to the Securities Documents is declared bankrupt or insolvent), the Indonesian WFOE may (i) declare the Loan to be immediately due and payable; and (ii) immediately enforce all of its rights under the Loan Agreements and the Security Documents (to the extent permitting the Indonesian WFOE to (a) transfer the shares of Indonesian Opco to any qualified party, (b) deal with the assets of Indonesian Opco, and (c) manage the business and right to revenue of Indonesian Opco).

### *Guarantee Agreement*

Pursuant to the guarantee agreements entered by (i) the Indonesian Corporate Registered Shareholders and the Indonesia WFOE, and (ii) the Indonesian Individual Registered Shareholders and the Indonesian WFOE, both on March 29, 2022 (the “**Guarantee Agreements**”), the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders (together, the “**Pledgors**”) unconditionally and irrevocably guaranteed to the Indonesian WFOE the payment obligation by Indonesian Opco under the Loan Agreement and the Exclusive Technical Service Agreement. The Guarantee Agreements remain effective until the earlier of (i) the full repayment of amounts outstanding (including the Loans, any outstanding service fees and any outstanding amounts from time-to-time) under the Loan Agreement and the Exclusive Technical Service Agreement or (ii) the exercise of the call option rights pursuant to the Exclusive Call Option Agreements.

In the event of defaults under the Loan Agreement or the Exclusive Technical Service Agreement, the Indonesian WFOE shall be entitled to seek the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders to perform their obligations under the Security Documents. For more details, see “– Exclusive Call Option Agreement” in this section.

### *Exclusive Call Option Agreement*

Pursuant to the call option agreements entered into between the Indonesian WFOE, the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders on March 29, 2022 (the “**Exclusive Call Option Agreement**”), the Indonesian WFOE has the exclusive right to (i) require the Indonesian Corporate Registered Shareholders to transfer all shares in Indonesian Opco, (ii) require the Indonesian Individual Registered Shareholders to transfer all shares in the Indonesian Corporate Registered Shareholders, or (iii) require the Indonesian Corporate Registered Shareholders to transfer all assets in Indonesian Opco, in each case to the Indonesian WFOE or a third party designated by the Indonesian WFOE (as the case may be and in accordance with Indonesian Laws). The transfer price will be equal to the amount of par value of such transferred shares or such price set forth in an equity transfer agreement to be executed among relevant parties, as applicable. The Exclusive Call Option Agreements remain effective until the full payment of Indonesian Opco’s obligations under the Loan Agreement. The Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders agree to return to the Indonesian WFOE (or the entity designated by the Indonesian WFOE) any consideration they receive in the event that any of the options under the exclusive call option agreements is exercised.

To the extent permitted by Indonesian laws, the Indonesian WFOE shall have the right to exercise the exclusive option right against the Indonesian Individual and Indonesian Corporate Registered Shareholders or the legitimate successors or representatives of the Indonesian Individual and Indonesian Corporate Registered Shareholders pursuant to the terms and

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conditions of the Exclusive Call Option Agreement in the event of death, incapacity, bankruptcy of the Indonesia Individual and Corporate Registered Shareholders or other circumstances which causes his inability to exercise his rights as a shareholder of the Indonesia Opco.

### *Share Pledge Agreements*

Pursuant to the share pledge agreements entered into between the Indonesian WFOE, the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders on March 29, 2022 (the “**Share Pledge Agreements**”), the Share Pledge Agreements have the following terms:

- the Indonesian Individual Registered Shareholders pledged all of the shares in Indonesian Corporate Registered Shareholders to the Indonesian WFOE, and
- the Indonesian Corporate Registered Shareholders pledged all the shares in the Indonesian Opco to the Indonesian WFOE,

to guarantee the performance of obligations by the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders under the Guarantee Agreements, as well as the performance of obligations by Indonesian Opco under the Loan Agreement.

Pursuant to the Share Pledge Agreements, Pledgors are required deliver to Indonesian WFOE all share certificates and other evidence of ownership in relation to the shares in Indonesian Individual Registered Shareholders and Indonesian Opco. Each of the Pledgors undertook that during the term of the Shares Pledge Agreements, shall not, among others, sell, dispose of, assign, transfer, pledge or encumber the pledged shares, or allow any other pledge or encumbrance to be created with respect to the pledged shares.

The Share Pledge Agreements remain effective until the full payment of Indonesian Opco’s obligations under the Loan Agreement.

### *Exclusive Technical Service Agreement*

Pursuant to the exclusive technical service agreement entered into between the Indonesian WFOE and the Indonesian Opco on March 29, 2022 (the “**Exclusive Technical Service Agreement**”), in exchange for service fees, the Indonesian Opco agreed to engage the Indonesian WFOE as its exclusive provider to provide advice, guidance on business operations and other organizational and management issues, such as (i) strategic and organizational planning; (ii) decisions related to finance; (iii) marketing objectives and policies; (iv) human resource planning, practices and policies; (v) planning scheduling and controlling production, advisory assistance, guidance and operation of various management functions; (vi) design of accounting methods and procedures, cost accounting programs, budget monitoring procedures; and (vii) advice and assistance for business and community services.

Under the Exclusive Technical Service Agreement, the service fee payable to the Indonesian WFOE will be equal to the consolidated net profits of the Indonesian Opco and its subsidiaries (revenue deducted by turnover taxes, total expenses and retained profits), subject to adjustments at the Indonesian WFOE’s discretion.

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Without the Indonesian WFOE's prior written consent, during the term of the Exclusive Technical Service Agreement, the Indonesian Opco will not, directly or indirectly, accept services pertaining to the Exclusive Technical Service Agreement provided by any third party.

Unless terminated in accordance with the provisions of the Exclusive Technical Service Agreement, the Exclusive Technical Service Agreement shall remain effective perpetually. Pursuant to the Exclusive Technical Service Agreement, all invention, modification, creation, or design created or developed by The Indonesian WFOE during its performance of the Exclusive Technical Service Agreement, and all related copyrights, trademarks, patents and all other intellectual property rights shall be owned by The Indonesian WFOE. Where such ownership is precluded due to the laws of the Republic Indonesia, Indonesian Opco shall sign any documents and take, or cause to be taken, any other action necessary, to effect the complete and irrevocable assignment of the said ownership rights to The Indonesian WFOE.

### *Power of Attorney*

Pursuant to the powers of attorney to vote and powers of attorney to sell by and among the Indonesian WFOE, the Indonesian Corporate Registered Shareholders and Indonesian Opco executed on March 29, 2022, each Indonesian Corporate Registered Shareholder irrevocably appointed the Indonesian WFOE as its attorney to do and perform, among others, the following actions:

- to exercise all applicable shareholders' voting and related rights with respect to such shareholder's equity interest, including to exercise the voting rights,
- to sign meeting minutes and other relevant documents on behalf of the Indonesian Corporate Registered Shareholders, and
- to proceed with necessary approvals, registrations, filings or submissions with governmental authorities.

The power of attorney will be irrevocable and remain continuously effective and valid until the full payment of Indonesian Opco's obligations under the Loan Agreement.

### *Spousal Consent and Undertakings*

The spouse of each of the relevant Indonesian Individual Registered Shareholders, where applicable, has signed undertakings to the effect that (i) she consents to her spouse entering into the Indonesian Contractual Arrangements; (ii) acknowledges that the Indonesian Contractual Arrangements entered into by her spouse will also be binding against her, (iii) has no right to or control over any interests in the Indonesian Corporate Registered Shareholders and will not have any claim on such interests; and (iv) she will sign all necessary documents and take all necessary actions to ensure the Indonesian Contractual Arrangements are properly performed.

### *Other Key Terms*

#### *Dispute Resolution*

Each of the Exclusive Technical Service Agreement, the Loan Agreement, the Guarantee Agreements, the Call Option Agreements and the Share Pledge Agreements provided that all the disputes arising from the respective agreement, which cannot be resolved amicably, shall be arbitrated in Hong Kong and submitted to the Hong Kong International Arbitration Center



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for arbitration pursuant to its rules of arbitration. The arbitral award will be final and binding upon all parties. To the extent permitted by applicable laws, the arbitration tribunal may grant remedies including injunctive relief, remedies concerning the equity interest or assets of Indonesian Opco, the Indonesian Corporate Registered Shareholders and orders winding up of Indonesian Opco and the Indonesian Corporate Registered Shareholders. Under the Indonesian laws, arbitration awards are final and binding to the parties, and the parties cannot appeal the arbitration award in the Indonesian courts. Additionally, since the agreed arbitration location is in Hong Kong (international arbitration award), in order for the award to be executable and enforceable in Indonesia, such award must be recognized and acknowledged by Central Jakarta District Court through its ratification or exequatur. The execution may then be carried out by the district court of the relevant jurisdiction. To the extent permitted by applicable laws, when awaiting the formation of the arbitral tribunal or otherwise under appropriate conditions, parties to these agreements may seek preliminary injunctive relief or other interlocutory remedies that will support the further arbitration process from a court with competent jurisdiction to facilitate the arbitration. Subject to limitations under applicable laws, the courts of Hong Kong, the Cayman Islands, China and Indonesia shall be deemed to have competent jurisdiction.

### *Loss sharing*

None of the agreements constituting the Indonesian Contractual Arrangements provides that our Company or the Indonesian WFOE is obligated to share the losses of Indonesian Opco, but if Indonesian Opco or any of its subsidiaries suffers any losses or material difficulties of business, the Indonesian WFOE may adjust the amount or percentage of service fees at its discretion to Indonesian Opco under the terms of the Exclusive Technical Service Agreement. Further, under Indonesia laws and regulations, our Company or the Indonesian WFOE and its subsidiaries are not expressly required to share the losses of Indonesian Opco or provide financial support to Indonesian Opco. Despite the foregoing, given the results of operations and assets and liabilities of the Indonesian Consolidated Affiliated Entities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

### *Liquidation*

Pursuant to the Loan Agreement, in the event of default or a mandatory liquidation/insolvency required by the Indonesian laws, the Indonesian WFOE shall be entitled to declare the loan immediately due and payable and enforce the securities granted by the Indonesian Individual and Indonesian Corporate Registered Shareholders and assets of the Indonesian Opco, which will be used to settle the loan and be for the benefit of the Indonesian WFOE. The Indonesian Corporate Registered Shareholders shall give the proceeds they received from liquidation as a gift to the Indonesian WFOE or its designee(s) to the extent permitted by the Indonesian laws. A liquidator may seize the relevant assets of the Indonesian Opco through the Indonesian WFOE based on the Indonesian Contractual Arrangements for the benefit of our creditors/shareholders.

### *Conflicts of interest*

To ensure our effective control over the Indonesian Opco, we have incorporated terms in the Indonesian Contractual Arrangements to protect against the potential conflicts of interest between the Indonesian Individual and Indonesian Corporate Registered Shareholders and the Indonesian WFOE. Under the Power of Attorney to Sell and the Power of Attorney to Vote, the Indonesian Individual and Indonesian Corporate Registered Shareholders have irrevocably

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appointed the Indonesian WFOE to exercise its rights in connection with matters concerning its rights as a shareholder of the Indonesian Opco, including the rights to vote in a shareholders’ meeting, to sign minutes and to sell its shares. For further details, see “– Power of Attorney” in this section.

Based on the above, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Indonesian Individual and Indonesian Corporate Registered Shareholders.

### *Death, bankruptcy and/or divorce of the Indonesian Individual Registered Shareholders*

Pursuant to Article 3 paragraph 1 of Law Number 40 of 2007 on Limited Liability Company as partially amended by the Job Creation Law (the “**Indonesian Company Law**”), unless the company is not incorporated properly and the shareholders conduct any unlawful and bad faith acts, the shareholders of a limited liability company are not personally liable for any contracts entered by the company and the company’s losses extending beyond the value of their shares. The shareholders of a limited liability company are also not personally liable for the obligations of the company because the limited liability company is a separate legal body and independent with its shareholders. Therefore, the shareholders are only liable for up to the amount of capital they invest into the company.

As confirmed by our Indonesian Legal Adviser, (i) the Indonesian Opco is incorporated properly in accordance with the Indonesian Company Law, and (ii) the Indonesian Contractual Arrangements have complied with the requirement of Article 98 of the Indonesian Company Law and the Indonesian Opco’s articles of association. Therefore, the Indonesian Contractual Arrangements entered into remain binding against the Indonesian Opco in the occurrence of the death, bankruptcy and/or divorce of the Indonesian Individual Registered Shareholders and/or the Indonesian Corporate Registered Shareholders and their successors (as the case may be). In particular, the Indonesian Contractual Arrangements shall prevail over their respective wills, divorce agreements, debt arrangements and other legal instruments entered into by him/her. Accordingly, there are appropriate arrangements in place to protect the interest of the Indonesian WFOE in the event of death, bankruptcy and/or divorce of the Indonesian Individual Registered Shareholders and/or the Indonesian Corporate Registered Shareholders (as the case may be), and practical difficulties in enforcing the Indonesian Contractual Arrangements have been avoided.

### *Insurance*

We do not maintain an insurance policy to cover the risks relating to the Indonesian Contractual Arrangements.

### **Legality of the Indonesian Contractual Arrangements**

Our Indonesian Legal Adviser, after taking reasonable enquiries and due diligence, has confirmed that the Indonesian Contractual Arrangements are legally binding and enforceable on the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders, comply in fact and in good faith with all relevant laws and regulations of Indonesia, and will not be deemed as “concealing illegal intentions with a lawful form” and be voided under the laws and regulations currently prevailing in Indonesia and are only used to the extent necessary and are narrowly tailored to minimize potential conflict under the applicable laws and regulations to address the relevant foreign shareholding or ownership limits or restrictions under Indonesian laws.

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Pursuant to Article 33 Paragraph 1 of the Investment Law, domestic and foreign investors are prohibited from entering into an agreement or and/or issuing a statement to confirm that their ownership of shares in a limited liability company is held for and in the name of another person. Where a domestic investor and a foreign investor enter into an agreement and/or make a statement to the effect that their ownership of shares in a company is held for and in the name of another person, such an agreement and/or statement will be declared to be void by operation of law.

Our Indonesian Legal Adviser confirms that none of the Indonesian Contractual Arrangements entered into by our Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders contains any statement that their direct or indirect ownership of shares in our Indonesian Opco is for and in the name of our Indonesian WFOE. The Indonesian Contractual Arrangements are common loan transactions whereby the Indonesian Corporate Registered Shareholders still remain as the registered and legal owners of 100% of the shares in the Indonesian Opco, notwithstanding that 100% of the shares in the Indonesian Opco have been pledged to the Indonesian WFOE and all the shares in the Indonesian Corporate Registered Shareholders have also been pledged to the Indonesian WFOE as security for the Loan Agreements and the Indonesian Corporate Registered Shareholders have also: (i) assigned their dividends; (ii) granted an exclusive call option; and (iii) executed powers of attorney to sell its shares in the Indonesian Opco to the Indonesian WFOE to secure the loans. Furthermore, the Indonesian Corporate Registered Shareholders has also executed a power of attorney in favor of the Indonesian WFOE to allow for the Indonesian WFOE to exercise its voting rights as shareholders of the Indonesian Opco.

In the occurrence of an event of default under the Indonesian Contractual Arrangements, the Indonesian WFOE will have the right to enforce the security documents including without limitation to cause the shares registered under the name of the Indonesian Corporate Registered Shareholders in the Indonesian Opco to be transferred to the Indonesian WFOE or any party it designates.

The Indonesian Contractual Arrangements have met the elements required to establish a contract as stipulated in Article 1320 of the Indonesian Civil Code, which includes: (i) consent, where both the Indonesian WFOE and the Indonesian Individual and Indonesian Corporate Registered Shareholders have agreed to enter into the series of Indonesian Contractual Arrangements; (ii) capacity, whereby both the Indonesian WFOE and the Indonesian Individual and Indonesian Corporate Registered Shareholders possess the legal capacity to enter into the Indonesian Contractual Arrangements; (iii) subject, whereby the subject of the Indonesian Contractual Arrangements is loan transactions; and (iv) lawful cause, the Indonesian Contractual Arrangements are not contrary to public order in Indonesia.

After taking reasonable actions and steps, our Indonesian Legal Adviser is of the opinion that there are no laws and regulations in Indonesia specifically disallowing foreign investors to provide loan facilities to Indonesian shareholders to gain contractual control of a foreign restricted business, and neither the execution of the Indonesian Contractual Arrangements, nor the compliance by the Indonesian WFOE and the Indonesian Individual and Indonesian Corporate Registered Shareholders with or performance of the terms and provisions thereof would: (a) contravene any judgment, decree or order of any court, arbitrator, administrative agency or other governmental institution to which the Indonesian WFOE and the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders or any of its assets are subject; (b) violate any provisions of the Indonesian Opco's articles of association; and (c) violate or contravene any provisions of the laws, rules or regulations in Indonesia by the Indonesian WFOE, the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders and the Indonesian Opco, each being a party to the Indonesian Contractual Arrangements.

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Our Indonesian Legal Adviser has further opined that the Indonesian Contractual Arrangements have not encountered any interference or encumbrance from any governing bodies of Indonesia and are in compliance with the prevailing laws and regulations of Indonesia during the Track Record Period and as of the Latest Practicable Date. Our Indonesian Legal Adviser have also confirmed that given the Contractual Arrangements are within the domain of private law in Indonesia which focuses on legal relationship between two parties based on the principle of freedom of contract under Article 1338 of Indonesian Civil Code that all agreements made legally shall apply as the law between the parties thereto, the Indonesian government will not be involved in the use of the Indonesian Contractual Arrangements or any disputes with regards to its legality.

In January 2022, we have also, with our Indonesian Legal Adviser, conducted a formal interview with the relevant government authority, namely (i) the Coordinator of Commercial Postal Services; (ii) an officer of the Directorate of Postal Affairs; (iii) an officer of the Directorate of Postal Affairs; (iv) the Sub-coordinator of the Governance of Commercial Postal Services; (v) the Sub-coordinator of the Tariff of Commercial Postal Services; (vi) the Sub-coordinator of Data and Information of Commercial Postal Services; (vii) the Sub-coordinator of the Postal Industry Development; and (viii) the Sub-coordinator of Postal Cooperation, all of whom are from the MOCI which is the main supervising authority of our operations in Indonesia, and obtained verbal guidance from a contact center service officer from BKPM, which is the agency overseeing foreign investments in Indonesia.

During the consultation with the MOCI and BKPM, the officers confirmed that: (i) a foreign investor who is not a Foreign Postal Operator cannot hold any equity interest in an Indonesian Postal Services Company, (ii) in limited circumstances, a Foreign Postal Operator can hold equity interest in a Postal Services Company by forming a joint venture company with an Indonesian domestic company in compliance with the Partnership Requirements, (iii) the Foreign Postal Operators can only obtain shares in a new joint venture to engage in Postal Services, and should not subscribe or purchase shares in an existing domestic Indonesian Postal Services Company with a nationwide coverage, and (iv) when all conditions under the Partnership Requirements are met, the Foreign Postal Operator can hold up to 49% of equity interest in the joint venture entity that provides KBLI 53201 courier services. Officers from both MOCI and BKPM have further confirmed that the Indonesian Contractual Arrangements are under the domain of private law in Indonesia, and MOCI does not regulate, supervise or intervene in the use or any dispute over the legality or enforceability of the Contractual Arrangements. BKPM advised that that BKPM would only supervise whether companies conduct their business in accordance with their licenses. BKPM does not supervise, and will not intervene in, the business arrangements adopted by private parties or any privately executed agreements.

This effectively allows the Company, as a foreign investor, to indirectly control an Indonesian company which engages in Postal Services. After making reasonable enquiries and due diligence, our Indonesian Legal Adviser has opined that the adoption of the Indonesian Contractual Arrangements by the Company is unlikely to be deemed ineffective or invalid under the applicable laws and regulations in Indonesia. Further, our Indonesian Legal Adviser is of the view that the Contractual Arrangements are used to the extent necessary under the applicable laws and regulations in Indonesia to address the relevant foreign shareholding or ownership limits or restrictions only, and have been narrowly tailored to minimize the potential conflict with relevant Indonesian laws and regulations and enables the Group to achieve the contractual control over Indonesian Opco which engages in postal services within Indonesia.

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## **CONTRACTUAL ARRANGEMENTS**

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Our Indonesian Legal Adviser has confirmed that it has taken all possible actions and steps to enable it to reach the above legal conclusions and opinions. In light of the above opinion from our Indonesian Legal Adviser and as the Indonesian Contractual Arrangements have not encountered any interference or encumbrance from any governing bodies of Indonesia during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that the Indonesian Contractual Arrangements are enforceable under the relevant Indonesian laws and regulations.

### **ACCOUNTING ASPECTS OF THE INDONESIAN CONTRACTUAL ARRANGEMENTS**

#### **Consolidation of financial results of operating entities**

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As a result of the Indonesian Contractual Arrangements among the Indonesian WFOE, Indonesian Opco and the Indonesian Individual Registered Shareholders and Corporate Registered Shareholders, the Indonesian WFOE has rights to exercise power over Indonesian Opco and its subsidiaries, receives variable returns from its involvement in Indonesian Opco and its subsidiaries, has the ability to affect those returns through its power over Indonesian Opco and its subsidiaries and is considered to control Indonesian Opco and its subsidiaries. Consequently, the Company regards Indonesian Opco and its subsidiaries as controlled entities and consolidates the assets, liabilities and results of operations of Indonesian Opco and its subsidiaries in the consolidated financial information of the Group.

### **COMPLIANCE WITH THE INDONESIAN CONTRACTUAL ARRANGEMENTS**

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

1. major issues arising from the implementation and compliance with the Indonesian Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
2. our Board will review the overall performance of and compliance with the Indonesian Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance of and compliance with the Indonesian Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Indonesian Contractual Arrangements, to review the legal compliance of the Indonesian WFOE and Indonesian Opco and to deal with specific issues or matters arising from the Indonesian Contractual Arrangements.