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## CONTRACTUAL ARRANGEMENTS

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### BACKGROUND

Our Group is engaged in online monetization in the form of online content recommendation business and online advertising.

As advised by the PRC Legal Advisers, certain businesses currently operated or will be operated by our Group in the PRC are subject to foreign investment restrictions and license requirements under the PRC laws and regulations as detailed below. To comply with the relevant PRC laws, the Group operates the online content recommendation business through the Consolidated Affiliated Entities, namely Easou Shenzhen and its subsidiaries, all of which were established under the laws of the PRC. The Group does not directly own any shares in Easou Shenzhen, which are held by the Registered Shareholders of Easou Shenzhen, namely Wang PRC SPV, Mr. Wang, Mr. Zhao, Mr. Lu and Mr. Chen.

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

#### *Restrictions on Foreign Ownership*

Foreign investment activities in the PRC are mainly governed by the 2021 Negative List and the Catalogue of Industries for Encouraging Foreign Investment (2021 Version) (the "Encouraging Catalogue"), which were promulgated and are amended from time to time jointly by the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC. The 2021 Negative List and the Encouraging Catalogue divide industries into "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encourage", "restricted" and "prohibited" categories).

As confirmed by our PRC Legal Advisers, our business of value-added telecommunications services, internet cultural business and online publishing activities that the Consolidated Affiliated Entities engage in are under the "prohibited" category and "restricted" category.

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

#### **Prohibited business**

#### ***Internet cultural business***

According to the 2021 Negative List, foreign investors are prohibited from holding equity interest in any enterprise engaging in internet cultural business (except for music). According to the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》) (the "Internet Culture Provisions"), the internet cultural business refers to the activities of providing internet culture products and services, including producing, reproducing, importing, distributing and broadcasting internet culture products and other activities. Under the Internet Culture Provisions, an Internet Culture Operation License is required for conducting commercial internet cultural activities.

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The principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu and Guangzhou Tianshitong involve the operation of online entertainment, including publication of games and music, which fall within the scope of the Internet Cultural Provisions.

As of the Latest Practicable Date, each of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu and Guangzhou Tianshitong held an Internet Culture Operation License (using information network to operate music and entertainment products).

Furthermore, the principal businesses of Shenzhen Eayou, Guangzhou Ledian, Easou Beijing, Shenzhen Taite, Shanghai Yinggao and Shenzhen New Drive involve internet cultural activities, including but not limited to online advertising or online reading platform services, which fall within the scope of the Internet Cultural Provisions.

As of the Latest Practicable Date, each of Shenzhen Eayou, Guangzhou Ledian, Easou Beijing, Shenzhen Taite, Shanghai Yinggao and Shenzhen New Drive held an Internet Culture Operation License (using information network to operate animation products).

### *Internet publication business*

According to the 2021 Negative List, foreign investors are prohibited from holding equity interest in any enterprise engaging in internet publishing business.

As the principal business of Beijing Yike involves the publication of digitized works with characteristics of publishing, Beijing Yike's business falls within the scope of internet publishing business.

As of the Latest Practicable Date, Beijing Yike held an Internet Publishing Service License.

### **Restricted business**

#### *Value-added telecommunication services*

According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), foreign investors are not allowed to hold more than 50% equity interest in any enterprise conducting value-added telecommunication service, subject to certain exceptions.

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The principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive and Shenzhen Taite involve internet information services provided through mobile and websites, which fall within the scope of “value-added telecommunication service”, and require a value-added telecommunications business operation license (Internet services only, inclusive of cultural services but excluding searches or instant interactive services) (《增值電信業務經營許可證》(信息服務業務：僅限互聯網信息服務)(含文化)不含信息搜索查詢業務、信息即時交互服務) (the “ICP License”) and service provider licenses (information services, excluding Internet information services) (《增值電信業務經營許可證》(信息服務業務：不含互聯網信息服務) (the “SP License”) to operate the portion of the relevant businesses that involves online video and audio content operation, distribution and streaming of online music, online programme and online performance.

As of the Latest Practicable Date, each of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou and Shenzhen New Drive holds an ICP License.

As of the Latest Practicable Date, each of Shenzhen Taite and Shenzhen New Drive holds an SP License.

We believe that our internet cultural business, internet publication business and value-added telecommunications services business are fundamental and inseparable parts of our online reading platform, digital marketing and online game publishing business since (i) as confirmed by our PRC Legal Advisers, the operation of online reading platform, entertainment and advertising business fall within the scope of “internet cultural activities”, whereas the publication of online games or digitized works fall within the scope of “internet publishing”, where foreign ownership is prohibited pursuant to the 2021 Negative List; and (ii) the value-added telecommunications services provided by our Group, along with the internet cultural business and internet publication business, which involves the provision of internet information services, form an integral part of our online recommendation and online games publishing services. Accordingly, it is impractical for the Company to separate internet cultural business and internet publication business from the value-added telecommunications services business and to hold the ICP License or SP License (as the case may be) in a separate entity from Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive, Shenzhen Taite and Easou Beijing, of which the core business fall within “prohibited business” under the 2021 Negative List.

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

The Administrative Provisions on Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), which were promulgated by the State Council on December 11, 2001, and amended on September 10, 2008, and February 6, 2016, set forth that foreign investors are not allowed to hold more than 50% of the equity interest in a company providing value-added telecommunications services, including Internet information services. In

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addition, a foreign investor who invests in a foreign-invested value-added telecommunications enterprises in the PRC must possess prior experience in, and a proven track record of, operating value-added telecommunications business overseas (the "Qualification Requirements"). The Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (the "Decision") which was promulgated on March 29, 2022 and took effect on May 1, 2022, was promulgated to amend certain provisions of regulations including the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (2016 Revision). The Qualification Requirements were removed.

Nevertheless, under the latest Administrative Provisions on Foreign-Invested Telecommunications Enterprises amended in 2022, whilst foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest and not more), whether the post-foreign-invested entity can hold an ICP License is still subject to the examination of substance and merits by the MIIT. As the Decision only became effective on May 1, 2022, and no detailed guidance or implementation measures have been issued, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy. Also, as mentioned above, it is impractical for the Company to separate internet cultural business and internet publication business from the value-added telecommunications services business and to hold the ICP License or SP License (as the case may be) in a separate entity, therefore, as of the Latest Practicable Date, the Company was not allowed to hold equity interest in Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive and Shenzhen Taite.

Moreover, the Internet Culture Provisions and the 2021 Negative List remain effective and applicable to the Group. According to the 2021 Negative List, foreign investors are prohibited from holding equity interest in any enterprise engaging in internet cultural business (except for music) or any enterprise engaging in internet publishing business.

Given that Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Eayou, Shenzhen Chuangtu, Easou Beijing, Beijing Yike, Shenzhen Taite, Guangzhou Tianshitong, Shenzhen New Drive, Guangzhou Ledian and Shanghai Yinggao (i.e. the Consolidated Affiliated Entities) operate in the foreign-prohibited business and foreign-restricted business, our Company would not be currently allowed to hold any equity interest in these companies. Instead, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by Easou Shenzhen and its subsidiaries through the Contractual Arrangements between WFOE, on the one hand, and Easou Shenzhen and the Registered Shareholders of Easou Shenzhen, on the other hand. The Contractual Arrangements allow the results of operations and assets and liabilities of Easou Shenzhen and its subsidiaries to be consolidated into our results of operations and assets and liabilities under HKFRS as if they were wholly-owned subsidiaries of our Group.

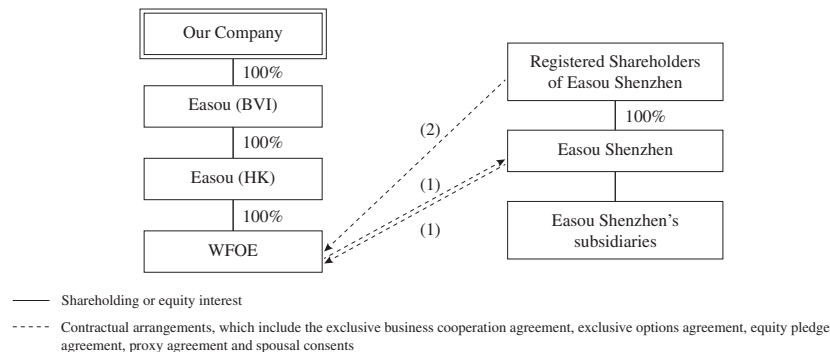
Based on the above and the advice of our PRC Legal Advisers, we are of the view that the Contractual Arrangements, which are narrowly tailored, are necessary to enable us to conduct business that is subject to foreign investment restrictions in China. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our

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corporate structure, if required in the future, and unwind and terminate the Contractual Arrangements wholly or partially once our business is no longer prohibited or restricted to foreign investment.

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



*Notes:*

- (1) Pursuant to an exclusive business cooperation agreement, WFOE shall provide technical support, consulting services and other services in exchange for a service fee from Easou Shenzhen.
- (2) Representing:
  - (a) an exclusive option agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the acquisition of all or part of the shares and/or assets in Easou Shenzhen;
  - (b) an equity pledge agreement executed by the Registered Shareholders of Easou Shenzhen, pursuant to which the Registered Shareholders of Easou Shenzhen granted security interests in favor of WFOE over the shares in Easou Shenzhen held by the Registered Shareholders of Easou Shenzhen;
  - (c) a proxy agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the exercise of all shareholders' rights in Easou Shenzhen; and
  - (d) the spousal consents executed by the spouse of each individual Registered Shareholder of Easou Shenzhen in favor of WFOE.

### Summary of the material terms of the Contractual Arrangements

#### *Exclusive Business Cooperation Agreement*

Under the exclusive business cooperation agreement dated December 31, 2022 between the WFOE and Easou Shenzhen (the "Exclusive Business Cooperation Agreement"), Easou Shenzhen agreed to engage the WFOE as its exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities in any financial year, after setting off any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s) (if any), and after the deduction of operating costs, expenses, taxes and

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other statutory contributions in such financial year. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of services fees in accordance with the PRC tax regulations and practices and with reference to the operating conditions and development of the Consolidated Affiliated Entities.

The WFOE shall calculate the service fee on a monthly basis and issue a corresponding invoice to Easou Shenzhen. Notwithstanding the payment arrangements in the Exclusive Business Cooperation Agreement, the WFOE may adjust the payment time and payment method of the service fee.

In addition, without the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, the Consolidated Affiliated Entities shall not accept the same or any similar services and/or support provided by any third party with respect to the services subject to the Exclusive Business Cooperation Agreement and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement with any third party. In addition, without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not enter into any written or oral agreements with any third party for the provision of the same or similar services. The WFOE may designate other parties, who may enter into certain agreements with the Consolidated Affiliated Entities, to provide the Consolidated Affiliated Entities with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provide that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in writing by the WFOE; or (c) upon Easou Shenzhen's bankruptcy, liquidation or dissolution, at which time the Exclusive Business Cooperation Agreement will terminate upon the bankruptcy, liquidation or dissolution becomes effective.

### *Exclusive Option Agreement*

Under the exclusive option agreement dated December 31, 2022 among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen (the "Exclusive Option Agreement"), the Registered Shareholders of Easou Shenzhen irrevocably and unconditionally grants the exclusive right to the WFOE to:

- (a) require the Registered Shareholders of Easou Shenzhen to transfer any or all their shares in Easou Shenzhen to the WFOE and/or its nominee(s), in whole or in part at any time and from time to time, at:

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- (i) the lowest price permitted under the PRC laws and regulations at the time of the purchase, and if the consideration for the exercise of the exclusive right to purchase by the WFOE or its nominee exceeds RMB1, the difference shall be compensated by the Registered Shareholders of Easou Shenzhen to the WFOE or its nominee; or
  - (ii) in the absence of such provisions under the PRC laws and regulations, for a price of RMB1;
- (b) purchase from Easou Shenzhen or to have its nominee purchase from Easou Shenzhen at any time all or part of the assets of Easou Shenzhen, including but not limited to the equity interest in subsidiaries held by Easou Shenzhen.

Easou Shenzhen and the Registered Shareholders of Easou Shenzhen, among other things, have jointly, severally and irrevocably covenanted that:

- (i) without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the business scope and the constitutional documents of Easou Shenzhen, increase or decrease their issued share capital, or change the structure of their share capital in other manner;
- (ii) they shall maintain Easou Shenzhen's corporate existence and conduct its business and affairs prudently and efficiently in accordance with good financial and business standards and practices and not to cause Easou Shenzhen to be liquidated, suspended, wound up or dissolved;
- (iii) without the prior written consent of the WFOE, they shall not at any time following the effective date of the Exclusive Option Agreement sell, transfer, gift, pledge or dispose of or procure the management of Easou Shenzhen to sell, transfer, gift, pledge or dispose of any legal or beneficial interest in any assets (including intellectual properties) business or revenues of the Consolidated Affiliated Entities, or allow the encumbrance thereon of any security interest;
- (iv) they shall procure that Easou Shenzhen fulfill its obligations under the Exclusive Option Agreement, Equity Pledge Agreement and Proxy Agreement, and shall not terminate or procure Easou Shenzhen or the management of Easou Shenzhen to terminate the Contractual Arrangements entered into by Easou Shenzhen or enter into any agreement that conflicts with the Contractual Arrangements without the prior written consent of the WFOE;
- (v) they shall not incur any indebtedness, except for indebtedness incurred in the ordinary course of business, ordinary borrowings of Easou Shenzhen, or indebtedness which has been disclosed to and agreed in writing by the WFOE;



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- (vi) Easou Shenzhen shall operate all of its business at all times in the ordinary course of business to maintain the asset value of the Consolidated Affiliated Entities, and refrain from any action or omission that may adversely affect the operating status and asset value of the Consolidated Affiliated Entities;
- (vii) without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to execute any material contract or enter into any material transaction with a single lump sum or aggregate value above RMB20 million in a financial year, except the contracts executed in the ordinary course of business;
- (viii) without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan or guarantee;
- (ix) if requested by the WFOE, they shall provide the WFOE or its nominee with all information concerning the labour, operations and financial conditions of Easou Shenzhen;
- (x) if requested by the WFOE, they shall procure the Consolidated Affiliated Entities to purchase and maintain insurance from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that own similar businesses in the WFOE's consented geographical area and similar property or asset;
- (xi) without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to split, merge, consolidate with, acquire or invest in any person, or be acquired by any person;
- (xii) they shall notify the WFOE immediately of any litigation, arbitration or administrative proceedings that have taken place or may take place in relation to the assets, business and income of the Consolidated Affiliated Entities and take all necessary measures as reasonably requested by the WFOE;
- (xiii) they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, assert all necessary or appropriate claims, or defend all claims as may be necessary and appropriate to preserve the ownership of the Consolidated Affiliated Entities in all of its assets;
- (xiv) if the exercise of the exclusive right to purchase by the WFOE is prevented by the failure of the Registered Shareholders of Easou Shenzhen or Easou Shenzhen to comply with their tax obligations under applicable law, the WFOE shall be entitled to require Easou Shenzhen or the Registered Shareholders of Easou Shenzhen to comply with such tax obligations or to require Easou Shenzhen or the Registered Shareholders of Easou Shenzhen to pay such taxes to the WFOE to pay on behalf of Easou Shenzhen;
- (xv) without the prior written consent of the WFOE, Easou Shenzhen shall not in any manner distribute dividends, bonuses, distributable benefits and for other income arising from any assets and equity interest held by the Registered Shareholders of Easou Shenzhen to



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its shareholders. For the avoidance of doubt, all benefits received by the WFOE during the term of this Agreement and upon termination of this Agreement shall not be returned to the Registered Shareholders of Easou Shenzhen;

- (xvi) they shall adopt and cause its subsidiaries and branches to adopt all applicable internal control policies and systems established by the WFOE as it may require from time to time; and
- (xvii) in the event of liquidation or dissolution of Easou Shenzhen, they shall promptly procure Easou Shenzhen to appoint any persons designated by the WFOE to administer the property of Easou Shenzhen to the extent permitted by PRC law.

In addition, the Registered Shareholders of Easou Shenzhen, among other things, have jointly, severally and irrevocably covenanted that:

- (i) without the prior written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Easou Shenzhen, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, and they shall not support or sign any shareholders' resolution to approve any of the above matters;
- (ii) for each exercise of the equity purchase option under the Exclusive Option Agreement, they shall cause Easou Shenzhen to convene, in a timely manner, the shareholders' meeting of Easou Shenzhen to vote on the approval of the transfer of shares and assets pursuant to the Exclusive Option Agreement;
- (iii) without the prior written consent of the WFOE, they shall not appoint or remove any director, supervisor or other officer of Easou Shenzhen, whom shall be appointed by the Registered Shareholders of Easou Shenzhen and, if requested by the WFOE, to appoint or employ a person appointed by the WFOE as a director and officer of Easou Shenzhen;
- (iv) without the prior written consent of the WFOE, they shall not support or sign any shareholders' resolution to approve that Easou Shenzhen merge with, be acquired by, or invest in any person, or after the registered share capital or company form of Easou Shenzhen;
- (v) they shall notify the WFOE immediately of any litigation, arbitration or administrative proceedings that have taken place or may take place in relation to the shares or assets held by them; and
- (vi) if there is potential conflict of interest among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen, they shall privatise the protection of the interest of the WFOE or the Company.

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The Registered Shareholders of Easou Shenzhen have also undertaken that, subject to the relevant laws and regulations, they will return to the WFOE any consideration they receive in the event that the Exclusive Option Agreement is terminated.

The Exclusive Option Agreement shall remain effective unless terminated in writing or in the event that the shares held by the Registered Shareholders of Easou Shenzhen in Easou Shenzhen or all assets of Easou Shenzhen have been lawfully transferred to the WFOE or its nominee(s).

### *Equity Pledge Agreement*

Under the equity pledge agreement dated December 31, 2022 between the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen (the "Equity Pledge Agreement"), the Registered Shareholders of Easou Shenzhen agreed to pledge to the WFOE (i) all of their respective shares in Easou Shenzhen, including any additional shares in Easou Shenzhen that may be subscribed by the Registered Shareholders of Easou Shenzhen after the entering into of the Equity Pledge Agreement; and (ii) their present and future rights, interests, distributions or income related to their shares in Easou Shenzhen as a continuing security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

During the term of the pledge, the Registered Shareholders of Easou Shenzhen are entitled to receive dividends distributed on the shares pledged, but shall procure Easou Shenzhen and Easou Shenzhen agrees not to distribute any dividends or adopt any profit distribution schemes. If the Registered Shareholders of Easou Shenzhen shall receive any economic benefit of any nature other than a dividend or other profit distribution in respect of the pledged shares, the Registered Shareholders of Easou Shenzhen shall, at the request of the WFOE, instruct Easou Shenzhen to remit the relevant amount directly to the bank account specified by the WFOE, which shall not be used by the Registered Shareholders of Easou Shenzhen without the prior written consent of the WFOE.

The pledge in respect of Easou Shenzhen takes effect upon the completion of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the Registered Shareholders of Easou Shenzhen and Easou Shenzhen under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders of Easou Shenzhen and Easou Shenzhen under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), the Registered Shareholders of Easou Shenzhen shall immediately notify the WFOE in writing. Unless the event of default has been successfully resolved to the WFOE's satisfaction, the WFOE may, upon the occurrence of an event of default or any time thereafter, deliver a notice in writing of the event of default to the Registered Shareholders of Easou Shenzhen, and shall have the right to exercise all rights and power to rectify the event of default under applicable PRC laws and the Equity Pledge Agreement, including but not limited to being paid in priority with the shares based on the monetary valuation that such equity interest is converted into or from the proceeds from auction or sale of the shares.

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The share pledges in connection with the Consolidated Affiliated Entity have been registered with the relevant PRC government authority pursuant to PRC laws and regulations.

### *Proxy Agreement*

Under the proxy agreement among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen dated December 31, 2022 (the "Proxy Agreement"), the Registered Shareholders of Easou Shenzhen irrevocably and exclusively delegated to the WFOE or its nominee (including but not limited to the directors, successors and/or liquidators of the WFOE) the exercise on their behalf of any and all voting and other rights that they have in respect of their shares in Easou Shenzhen pursuant to applicable laws, regulations and the articles of association of Easou Shenzhen, including but not limited to the following rights:

- (i) to propose, convene and attend shareholders' meetings of Easou Shenzhen on behalf of the Registered Shareholders of Easou Shenzhen, receive notice of and sign minutes and resolutions of any shareholders' meeting, exercise voting rights on all matters at such meetings (including but not limited to the appointment, election or removal of directors, legal representatives, supervisors and senior management of Easou Shenzhen), and to execute any documents which shall be executed by the Registered Shareholders of Easou Shenzhen and to submit such documents for the purpose of filing with the relevant administration for market regulation on behalf of Easou Shenzhen;
- (ii) to authorize or resolve, on behalf of the Registered Shareholders of Easou Shenzhen, on matters relating to the disposal of assets of Easou Shenzhen;
- (iii) to resolve, on behalf of the Registered Shareholders of Easou Shenzhen, on the dissolution and liquidation of Easou Shenzhen, and on the formation of a liquidation committee and exercise the powers and functions of the liquidation committee during the liquidation period in accordance with the applicable laws;
- (iv) to transfer or, in any other manner, dispose of the shares in Easou Shenzhen held by the Registered Shareholders of Easou Shenzhen in any manner and to execute all necessary documents and perform all necessary steps on behalf of the Registered Shareholders of Easou Shenzhen for such purpose; and
- (v) such other rights as shareholders of Easou Shenzhen as provided for in other applicable PRC laws and regulations and the articles of association of Easou Shenzhen (and as amended from time to time).

Pursuant to the Proxy Agreement, the Registered Shareholders of Easou Shenzhen shall not transfer or undertake to transfer all or any of its shares in Easou Shenzhen to, or create any pledge or encumbrance on such shares for the benefit of any entity or person, other than the WFOE or its nominee. If any of the Registered Shareholders of Easou Shenzhen transfers all of its shares in Easou Shenzhen with the consent of the WFOE, such Registered Shareholder of Easou Shenzhen shall cease to be a party to the Proxy Agreement upon transferring all its shares in Easou Shenzhen, but the obligations and undertakings of the other Registered Shareholder of Easou Shenzhen under the Proxy Agreement shall not be affected in any way. Any transfer of shares in

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Easou Shenzhen by the Registered Shareholders of Easou Shenzhen with the consent of the WFOE shall be conditional upon the transferee undertaking to assume the transferring Registered Shareholder of Easou Shenzhen's rights and obligations under the Proxy Agreement and becoming a party to the Proxy Agreement in place of the transferring Registered Shareholder of Easou Shenzhen.

As a result of the Proxy Agreement, the Company, through the WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Easou Shenzhen.

The Proxy Agreement, shall remain effective until, among others, the WFOE or its nominee has lawfully acquired all the shares in and/or all assets of Easou Shenzhen.

### *Spousal Consents*

The spouse of each of Mr. Wang, Mr. Zhao, Mr. Chen and Mr. Lu has signed a spousal consent letter, pursuant to which the signing spouses unconditionally and irrevocably agree that they are aware of the Exclusive Option Agreement, Equity Pledge Agreement and the Proxy Agreement, and have no objection regarding such contractual arrangements.

The signing spouses agree that: (i) any present or future shares held by their respective spouse as a Registered Shareholder of Easou Shenzhen in Easou Shenzhen do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

### **Common terms of the Contractual Arrangements**

#### *Dispute resolution*

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules.

The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Easou Shenzhen or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Easou Shenzhen; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Easou Shenzhen are located for interim remedies or injunctive relief.

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

As a result of the above, in the event that Easou Shenzhen or the Registered Shareholders of Easou Shenzhen breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert fully effective control over Easou Shenzhen and to conduct our business could be materially and adversely affected. See the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements" in this document for further details.

### ***Succession***

As advised by our PRC Legal Advisers, subject to the succession rules of the PRC Civil Code, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholders of Easou Shenzhen as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, the WFOE can enforce its rights against the successors.

### ***Loss sharing***

Under the relevant PRC laws and regulations, none of our Company or the WFOE is legally required to share the losses of, or provide financial support to the Consolidated Affiliated Entities. Further, the Consolidated Affiliated Entities are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them.

Despite the foregoing, given that our Group conducts certain of its business operations in the PRC through the Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses.

### ***Liquidation***

Pursuant to the Proxy Agreement, the Registered Shareholders of Easou Shenzhen have undertaken that the WFOE or its nominee are entitled to appoint members of the liquidation committee of Easou Shenzhen upon the winding up of Easou Shenzhen. Pursuant to the Equity Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Easou Shenzhen shall, upon completion of the liquidation, give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

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Accordingly, in the event a winding up of Easou Shenzhen, the WFOE is entitled to liquidation proceeds of Easou Shenzhen based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

### ***Insurance***

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements". We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

### **Our Confirmation**

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

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

We believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

- (a) in relation to the provision of value-added telecommunications services under the ICP License and with regards to the Contractual Arrangements, our PRC Legal Adviser:
  - (i) conducted an interview with the Shenzhen Communications Administration\* (深圳市通信管理局) in December 2022 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval or filing requirement from the authority; (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations; and (3) the arrangements contemplated by the Contractual Arrangements would not affect the validity of the ICP License held by the Group;
  - (ii) verbally consulted with the Beijing Communications Administration\* (北京市通信管理局) in January 2023 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;
  - (iii) verbally consulted with the MIIT in January 2023 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;

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- (b) in relation to the operation of internet cultural business under the Internet Culture Operation License and with regards to the Contractual Arrangements, our PRC Legal Advisor:
- (i) conducted an interview with the Guangdong Province Department of Culture and Tourism\* (廣東省文化和旅遊廳) in December 2022 and verbally consulted with the Shenzhen Bureau of Culture, Radio, Television, Tourism and Sports\* (深圳市文化廣電旅遊體育局) in February 2023 and obtained confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the aforementioned authorities; and (2) the Contractual Arrangements are not in violation of the relevant PRC laws and regulations;
  - (ii) verbally consulted with the Beijing Municipal Bureau of Culture and Tourism\* (北京市文化和旅遊局) in January 2023 and obtained confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;
  - (iii) verbally consulted with the Guangzhou Bureau of Culture, Radio, Television, Tourism and Sports\* (廣州市文化廣電旅遊和體育局) and the Shanghai Municipal Bureau of Culture and Tourism\* (上海文化和旅遊局) in January 2023 and obtained confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the relevant authorities, unless there is a change in the shareholding of the business entity holding the Internet Culture Operation License; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;
- (c) in relation to the internet publishing business under the Internet Publishing Service License, our PRC Legal Advisor:
- (i) conducted an interview with the Shenzhen Municipal Committee Propaganda Department Shenzhen Press and Publication Bureau\* (深圳市委宣傳部深圳市新聞出版局) in February 2023 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; (2) the Contractual Arrangements are in the form of an independent operation by enterprises and are not in violation of the relevant PRC laws and regulations; (3) the authority did not express any objection to the Contractual Arrangements; and (4) the arrangements contemplated by the Contractual Arrangements would not affect the validity of the Internet Publishing Service License held by Easou Shenzhen.

Based on the above, our PRC Legal Advisor is of the view that:

- (a) the aforementioned authorities are competent government authorities for the regulation of the Company's principal business; and



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- (b) the Contractual Arrangements are currently not prohibited by effective PRC laws and regulations.

In addition, based on the above, our PRC Legal Advisers is of the opinion that:

- (a) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder, and each of the agreements is binding on the parties thereto;
- (b) the Contractual Arrangements would not fall within the circumstances as stipulated in the PRC Civil Code which will lead the arrangements as invalid act under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of the WFOE and Easou Shenzhen;
- (d) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
- (i) the exercise of the option by our WFOE of their rights under the Exclusive Option Agreement to acquire all or part of the shares in Easou Shenzhen are subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
  - (ii) any share pledge contemplated under the Equity Pledge Agreement are subject to the registration with competent administration bureau for market regulation;
  - (iii) the transfer and license of the intellectual property under the Exclusive Business Cooperation Agreement may be subject to the approvals of and/or registration with the relevant government authorities; and
  - (iv) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (e) each of the Contractual Arrangements is valid, legally binding and enforceable under the PRC laws and regulations, except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts of competent jurisdictions to grant interim remedies in support of the arbitration and liquidation arrangements concerning our Consolidated Affiliated Entities, and clauses on the formation of liquidation committee in the event of winding-up of Easou Shenzhen.

There are uncertainties regarding the PRC laws and regulations and the PRC legislature, executive, judiciary or arbitration authorities have a wide discretionary power for legal interpretation. 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 Advisers. The PRC governmental authorities may also implement laws or regulations in

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the future which may render the Contractual Arrangements void. For further details of the risks, please see the section headed "Risk Factors – Risks relating to our Contractual Arrangements in this document.

Based on the above and as advised by our PRC Legal Advisers, based upon the interviews and verbal consultation with the aforementioned relevant government authorities and market practice:

- (i) the adoption of the Contractual Arrangements is currently not prohibited by effective PRC laws and regulations;
- (ii) the content, execution and performance of the Contractual Arrangements do not constitute a violation of the relevant PRC laws and regulations; and
- (iii) the rights and obligations under the Contractual Arrangements are legally binding on all parties.

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

### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

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

On March 15, 2019, the National People's Congress of the PRC approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign Invested Enterprises 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 Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

#### *The Potential Impact of the FIL on the Contractual Arrangements*

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of the Consolidated Affiliated Entities, through which we operate our business in the PRC. As advised by our PRC Legal Advisers, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the

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## **CONTRACTUAL ARRANGEMENTS**

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Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements – Legality of the 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 regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. Please see “Risk Factors – Risks related to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, its implementation regulations and how they may impact the viability of our current corporate structure, business, financial condition and results of operations.” in this document.

If the Relevant Business is no longer falling within the catalog of prohibitions or certain conditions and permission of foreign investment access required under the Negative List (2021) and we can legally operate our business under PRC laws and regulations, the WFOE will exercise the option under the exclusive option agreements to acquire the equity interest/assets of the VIE and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

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

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

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

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## **CONTRACTUAL ARRANGEMENTS**

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- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, Easou Shenzhen shall pay services fees to WFOE. The services fee shall consist of total consolidated profit of the Consolidated Affiliated Entities, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.

In addition, under the Equity Pledge Agreement, the Registered Shareholders of Easou Shenzhen are entitled to receive dividends distributed on the shares pledged, but shall procure Easou Shenzhen not to distribute any dividends or adopt any profit distribution schemes. If the Registered Shareholders of Easou Shenzhen shall receive any economic benefit of any nature other than a dividend or other profit distribution in respect of the pledged shares, the Registered Shareholders of Easou Shenzhen shall, at the request of WFOE, instruct Easou Shenzhen to remit the relevant amount directly to the bank account specified by WFOE.

Due to the Contractual Arrangements, WFOE can effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 3 to the Accountants' Report set out in Appendix I to this document.