

CONTRACTUAL ARRANGEMENTS

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

The provision of IDC Solution Services and Edge Computing Services are subject to foreign investment restrictions under the current PRC laws and regulations. The provision of IDC Solution Services and Edge Computing Services falls within the scope of value-added telecommunication services.

As the principal activities of our Consolidated Affiliated Entities are to undertake IDC Solution Services and Edge Computing Services, our PRC Legal Adviser takes the view that the aforesaid activities comply with the laws and regulations in the PRC, provided that each of the relevant Consolidated Affiliated Entities shall possess an ICP Licence.

After consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold Cloud Factory and its subsidiaries directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over the Consolidated Affiliated Entities and receive the economic benefits generated by the Consolidated Affiliated Entities through the Contractual Arrangements among, Wuxi Lingjingyun, Cloud Factory and the Registered Shareholders.

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganisation steps. Pursuant to the Reorganisation, the agreements under the Contractual Arrangements were signed on 28 March 2023, whereby Wuxi Lingjingyun acquired effective control over the Consolidated Affiliated Entities and became entitled to the economic benefits derived from the operations of the Consolidated Affiliated Entities. As a result, we do not directly own any equity interest in Cloud Factory and its subsidiaries.

The consolidated revenue generated by the Consolidated Affiliated Entities was approximately RMB464.3 million, RMB548.8 million and RMB695.9 million for the years ended 31 December 2021, 2022 and 2023, respectively.

Our Directors believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct the business of providing value-added telecommunication services, which is subject to foreign investment restrictions under the current PRC laws and regulations. Our Directors also believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreements (獨家業務合作協議) (as defined below) with Wuxi Lingjingyun, a wholly-owned PRC subsidiary of our Company, Cloud Factory and its subsidiaries will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED]; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

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Further, our PRC Legal Adviser is of the opinion that in accordance with the provisions of the Company Law and the articles of association of the subsidiaries of Cloud Factory, Cloud Factory, as the sole shareholder or the controlling shareholder of the subsidiaries (as the case may be), is entitled to decide all material respects of the subsidiaries' operation and management. In addition, according to the Powers of Attorney (as defined below), the Registered Shareholders appoint Wuxi Lingjinyun and any person designated by Wuxi Lingjinyun as their proxy to manage their equity interests in Cloud Factory and exercise all their shareholder's rights in Cloud Factory on their behalf. Therefore, Wuxi Lingjinyun can control Cloud Factory through the Contractual Arrangements and our Group can eventually control the subsidiaries of Cloud Factory through Wuxi Lingjinyun. Based on the above, the Directors are of the view that the above arrangement can ensure the economic benefits generated from the operations of the Consolidated Affiliated Entities will flow to Wuxi Lingjinyun and hence, the Group as a whole, and can provide the same level of protection for the Shareholders as direct control over the subsidiaries of Cloud Factory.

Reason for adoption of the Contractual Arrangements

According to the "Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021版)", value-added telecommunications business which fall within China's commitment to the WTO fall within the category of "restricted business for foreign investors restricted business", and the shareholding ratio of foreign investors in such value-added telecommunications business shall not exceed 50% (excluding e-commerce, domestic multi-party communications, data collection and transmission services and call center). Internet data centre (IDC) business and content delivery network (CDN) business are value-added telecommunications business, and do not fall within the above-mentioned value-added telecommunications business which do not subject to foreign equity ratio restrictions. As such, the shareholding percentage of a foreign investor in companies engaged in IDC business and CDN business shall not exceed 50% ("**Foreign Ownership Restrictions**").

Qualification Requirements under FITE Regulations

According to the Administration of Foreign-funded Telecommunication Enterprises (外商投資電信企業管理規定) (amended in 2022 and became effective on 1 May 2022) (the "**FITE Regulations**"), the Qualification Requirements previously stipulated that a foreign investor who invests in a VATS in the PRC must possess prior experience in operating VATS and a proven track record of business operations has been cancelled and no longer be valid. Nonetheless, while a foreign investor is allowed to invest in an entity holding ICP Licence with less than 50% equity interest, it remains uncertain whether an entity held by foreign shareholders is allowed to hold an ICP Licence.

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The narrowly tailored Contractual Arrangements

An officer (the “**Interviewed Officer**”) of the Institute of Industry and Planning of the China Academy of Information and Communications Technology (中國信息通信研究院產業與規劃研究所) (“**CAICT**”) was consulted on 30 August 2022 and 24 May 2023 on the matters relating to the FITE Regulations, the Qualification Requirements, and the Contractual Arrangements. We were advised by the officer of CAICT that:

1. the Institute of Industry and Planning of CAICT provides research support for the MIIT on industry policy and development plan, and consultation services relating to the interpretation of rules and regulations governing telecommunication services;
2. the IDC Solution Services and Edge Computing Services fall within the value-added telecommunication businesses and an ICP Licence is required. In particular, Cloud Factory and its subsidiaries shall hold the necessary ICP Licence to provide IDC Solution Services and Edge Computing Services;
3. while a foreign investor is allowed to invest in an entity holding ICP Licence relating to IDC business and CDN business with less than 50% equity interest, and the Qualification Requirements for a foreign investor have been cancelled, in actual circumstances, for domestic enterprises engaging in IDC-related business with foreign shareholdings, the value-added telecommunication competent authority will not approve the ICP Licence and therefore barrier exists for such enterprises to apply or extend ICP Licence;
4. the Contractual Arrangements require no approval from the MIIT, and the FITE Regulations amended in 2022 will not impact the validity of the Contractual Arrangements;
5. our Group has not received any enquiries or has not been subject to any penalties or punishments from MIIT or its relevant departments.

As discussed above, the Institute of Industry and Planning of CAICT provides research support for the MIIT on industry policy and development plan, and consultation services relating to the interpretation of rules and regulations governing telecommunication services. In addition, CAICT is responsible for accepting applications and preliminary examination for telecommunication business licences, interim and ex-post supervision of the compliance and implementation of telecommunications regulations and other MIIT’s requirements. The Interviewed Officer is the deputy director and senior engineer of the Institute of Industry and Planning of CAICT. Based on the above, our PRC Legal Adviser is of the view that the Interviewed Officer and the Institute of Industry and Planning of CAICT are competent to provide the confirmation concerning the telecommunication business policies.

Based on the consultations with CAICT and the advice from our PRC Legal Adviser, in order for our Group to carry out its current businesses in compliance with the PRC laws, all our Group’s entities must be held under the Contractual Arrangements due to the foreign ownership restriction.

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The following table set forth the principal businesses of the subsidiaries and Consolidated Affiliated Entities during the Track Record Period and before the Reorganisation:

<u>Name of Company</u>	<u>Principal Businesses during the Track Record Period</u>	<u>Status within the Group after the Reorganisation</u>	<u>Principal Businesses after the completion of the Reorganisation</u>
Wuxi Lingjingyun	Provision of technical support and consultation in relation to the Contractual Arrangements	Subsidiary	Provision of technical support and consultation in relation to the Contractual Arrangements
Wuxi Xiankai	Provision of ICT Services and Other Services	Subsidiary	Provision of ICT Services and Other Services
Cloud Factory	Provision of IDC Solution Services, Edge Computing Services and ICT Services and Other Services	Consolidated Affiliated Entity	Provision of IDC Solution Services and Edge Computing Services
Shandong Dianya	Provision IDC Solution Services and ICT Services and Other Services	Consolidated Affiliated Entity	Provision IDC Solution Services
Shanghai Xiaojiang	Provision of ICT Services and Other Services	Subsidiary	Provision of ICT Services and Other Services
Jiangsu Yiru	Provisions of IDC Solution Services, Edge Computing Services and ICT Services and Other Services	Consolidated Affiliated Entity	Provisions of IDC Solution Services and Edge Computing Services
Yun Ruitian	Provision of IDC Solution Services	Consolidated Affiliated Entity	Provision of IDC Solution Services

The Reorganisation was completed after the Track Record Period. During the Reorganisation, Wuxi Xiankai and Shanghai Xiaojiang, the entities purely offering the ICT Services and Other Services were acquired as subsidiaries under Wuxi Lingjingyun, the WOFE, and became our Group subsidiaries, whereas Shandong Dianya, Jiangsu Yiru and Yun Ruitian were acquired by Cloud Factory as Consolidated Affiliated Entities. The operations of ICT Services and Other Services, which are not subject to foreign investment restrictions under the PRC laws and regulations, under Shandong Dianya, Jiangsu Yiru and Yun Ruitian were transferred to Wuxi Lingjingyun or its subsidiaries.

In light of the above, we are of the view that our Contractual Arrangements are narrowly tailored to minimise the potential conflict with the relevant PRC laws and regulations.

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The Contractual Arrangements comprise (i) Exclusive Business Cooperation Agreements (as defined below); (ii) Exclusive Option Agreements (as defined below); (iii) Equity Pledge Agreements (as defined below); (iv) the Powers of Attorney (as defined below); and (v) undertaking by Mr. Sun, which, among other, include:

- under the Exclusive Business Cooperation Agreements (as defined below), granting Wuxi Lingjungyun the right to acquire any or all of the assets of business of Cloud Factory, and restricting Cloud Factory from the disposal, transfer and pledge of any assets and rights of which the value exceed RMB1 million
- under the Exclusive Option Agreements (as defined below), restricting Cloud Factory from disposing its assets and merging, consolidating, acquiring or investing without prior consent of Wuxi Lingjingyun, appointing or removing any directors, supervisors and senior management of Cloud Factory and its subsidiaries at the request of Wuxi Lingjingyun under the Exclusive Option Agreements (as defined below) and the undertakings and covenant under the agreement are also applicable to Cloud Factory's subsidiaries; and
- under the Powers of Attorney (as defined below), appointing Wuxi Lingjingyun to manage the Registered Shareholders' equity interest in Cloud Factory and exercise all shareholder's rights in Cloud Factory, including the voting rights in accordance with law and the constitutional documents of Cloud Factory and its subsidiaries, the voting rights at bankruptcy, liquidation, dissolution or termination of Cloud Factory, the right to sign any documents of Cloud Factory and its subsidiaries and the right to appoint and remove the legal representative, directors, supervisors, general manager and other chief executives of Cloud Factory.

Accordingly, our PRC Legal Adviser is of the view that Cloud Factory has acquired effective control over Jiangsu Yiru, Shandong Dianya and Yun Ruitian under the relevant PRC laws and regulations, and we are able to exert management control over the operations of the businesses conducted through Cloud Factory and its subsidiaries, and to enjoy all economic benefits from Cloud Factory and its subsidiaries. Based on the above, our PRC Legal Adviser is of the view that the Contractual Arrangements can provide sufficient safeguards of the interests of the Shareholders as a whole and the level of protection comparable to direct control over, and recourse against, the operating subsidiaries of Cloud Factory.

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted from foreign investment under the PRC laws.

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SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into among Wuxi Lingjinyun, Cloud Factory and its subsidiaries and the Registered Shareholders is set out below.

Exclusive Business Cooperation Agreements (《獨家業務合作協議》)

Under the Exclusive Business Cooperation Agreements dated 28 March 2023 and 26 September 2023 entered into among Wuxi Lingjinyun, Cloud Factory and its subsidiaries and the Registered Shareholders (the “**Exclusive Business Cooperation Agreements**”), in exchange for a monthly service fee, Cloud Factory and its subsidiaries agreed to engage Wuxi Lingjinyun as their exclusive service provider of technical support, consultation and other services, including but not limited to the following services:

- (1) provision of technical support and professional training services for relevant employees of Cloud Factory and/or its subsidiaries;
- (2) provision of business strategies and marketing consultation;
- (3) provision of procurement, sales and business management consultation;
- (4) provision of human resource management and consultation services;
- (5) provision of taxation and financial services;
- (6) providing business-related information system services;
- (7) provision of internal control services;
- (8) provision of consultation on technical and market information, information collection, market research, client relationship and public relations management;
- (9) provision of business development, strategic planning and project management consultations;
- (10) provision of marketing and promotional consultation services;
- (11) provision of equipment and asset rental, transfers and disposals services;
- (12) provision of related software and intellectual property licenses;
- (13) provision of development, system maintenance and update of relevant software application services;
- (14) design, implement, maintain and update of computer network systems, hardware equipment, web pages and database; and

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- (15) other relevant services requested by Cloud Factory and/or its subsidiaries from time to time to the extent permitted under the PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fees shall be the total consolidated profit of Cloud Factory after offsetting its or its subsidiaries' operating loss, if any, in the preceding year deduction of any operating costs, other expenses and relevant taxes.

During the term of the Exclusive Business Cooperation Agreements, Wuxi Lingjingyun shall enjoy the economic benefits and bear business risks arising from the operations of Cloud Factory and its subsidiaries.

In addition, in the absence of the prior written consent of Wuxi Lingjingyun, during the term of the Exclusive Business Cooperation Agreements, with respect to the services and other matters subject to the Exclusive Business Cooperation Agreements, Cloud Factory and/or its subsidiaries shall not enter into any same or similar exclusive business cooperation agreement with any third party, accept in any way, directly or indirectly, the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party.

The Exclusive Business Cooperation Agreements also provide that Wuxi Lingjingyun has the sole and exclusive proprietary rights and interests in any and all intellectual property rights developed or created during the performance of the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements were entered into on 28 March 2023 and 26 September 2023, respectively, and shall remain effective for 10 years therefrom, subject to Wuxi Lingjingyun's discretion to further renew its validity period. The Exclusive Business Cooperation Agreements may also be terminated in writing by Wuxi Lingjingyun 30 days in advance.

Exclusive Option Agreements (《獨家購買權協議》)

Under the exclusive option agreement dated 28 March 2023 and 26 September 2023 among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders (the "**Exclusive Option Agreements**"), Cloud Factory and its subsidiaries and the Registered Shareholders agreed to grant Wuxi Lingjingyun an irrevocable and exclusive right to require, without additional conditions, (i) each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory; (ii) Cloud Factory to transfer any or all of the assets it held; (iii) Cloud Factory to transfer any or all their equity interests in any of its subsidiaries; and/or (iv) any of the subsidiaries of Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun, at any time and from time to time, at a consideration at RMB10 or at the lowest purchase price that is permitted by the PRC laws.

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Cloud Factory and its subsidiaries and the Registered Shareholders have covenanted that:

- (1) without the prior written consent of Wuxi Lingjingyun, they shall not in any manner supplement, change or amend the constitutional documents of Cloud Factory and its subsidiaries, increase or decrease its total share capital, or change the structure of its registered capital in other manner unless such act does not affect Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun an exclusive right to purchase;
- (2) they shall maintain corporate existence of Cloud Factory and its subsidiaries in accordance with good financial and business standards and practices, obtain and maintain all necessary government licences and prudently and effectively operate its business and handle its affairs;
- (3) without the prior written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not incur, inherit or guarantee any debt, except for (i) debts incurred in the ordinary course of business other than payables incurred by a loan; and (ii) debts that are already disclosed to Wuxi Lingjingyun and with the prior consent of Wuxi Lingjingyun;
- (4) Cloud Factory and its subsidiaries shall always operate all of its businesses in the ordinary course of business and refrain from any action/omission that may cause adverse effects on the operating status and asset value of Cloud Factory and its subsidiaries;
- (5) they shall provide Wuxi Lingjingyun with all information on business operations and financial conditions of Cloud Factory and its subsidiaries at the request of Wuxi Lingjingyun;
- (6) without the prior written consent of Wuxi Lingjingyun, they shall not cause or permit Cloud Factory and its subsidiaries to merge or consolidate with, acquire or invest in any person;
- (7) they shall immediately notify Wuxi Lingjingyun of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to assets, business, revenue of Cloud Factory and its subsidiaries and take all agreed remedial actions which is approved by Wuxi Lingjingyun to exclude or minimise the adverse effect against Cloud Factory and its subsidiaries;
- (8) to maintain the (i) ownership by Cloud Factory and its subsidiaries of all of their assets; (ii) ownership by the Registered Shareholders of the equity interest in Cloud Factory; and (iii) ownership by Cloud Factory of the equity interests in its subsidiaries, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

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- (9) without the prior written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not in any manner distribute dividends to their shareholders;
- (10) at the request of Wuxi Lingjingyun, they shall appoint any persons designated by Wuxi Lingjingyun as the director, supervisors and senior management of Cloud Factory and its subsidiaries and/or remove any existing directors, supervisors and senior management of Cloud Factory and its subsidiaries; and
- (11) without the written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not engage in any business in competition with Wuxi Lingjingyun or its affiliates.

Cloud Factory and its subsidiaries have covenanted that:

- (1) without the prior written consent of Wuxi Lingjingyun, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any material assets, business, revenue or other legal or beneficial interest of Cloud Factory and its subsidiaries of more than RMB1,000,000 or permit the encumbrance thereon of any security interest;
- (2) without the prior written consent of Wuxi Lingjingyun, they shall not execute any material contract of more than RMB1,000,000 except the contracts executed in the ordinary course of business; and
- (3) without the prior written consent of Wuxi Lingjingyun, they shall not provide any person with any loan or provide any guarantee for the debts of any third party.

In addition, Cloud Factory and the Registered Shareholders have covenanted that:

- (1) without the prior written consent of Wuxi Lingjingyun, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Cloud Factory and its subsidiaries, or allow the encumbrance thereon of any security interest, except for the Exclusive Option Agreements, the Equity Pledge Agreements, and the interests prescribed in the Powers of Attorney (as defined below) entered between the Wuxi Lingjingyun with Wuxi Bangtai, Jiangsu Hanju, Cloud Factory respectively, and procure the shareholders' meeting and the board of directors of Cloud Factory and its subsidiaries not to approve such matters;
- (2) at any time at the request of Wuxi Lingjingyun to exercise the equity purchase option and the asset purchase option, Cloud Factory shall immediately transfer its shares in its subsidiaries, and any of the Registered Shareholders shall immediately transfer his/their shares of Cloud Factory, to Wuxi Lingjingyun or its designated person(s), and any Registered Shareholder and Cloud Factory shall waive any pre-emptive right that they are entitled (if any); and

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- (3) Cloud Factory and each of the Registered Shareholders will transfer to Wuxi Lingjingyun or its appointee(s) at a consideration of RMB10 or at the lowest purchase price that is permitted by the PRC laws any profit, interest, dividend or proceeds received from liquidation in accordance with the PRC laws and after the payment of any tax required under the relevant laws.

The Registered Shareholders or Cloud Factory and its subsidiaries shall return to Wuxi Lingjingyun or any person designated by Wuxi Lingjingyun, all the consideration that they receive in the event that Wuxi Lingjingyun exercises options under the Exclusive Option Agreements to acquire the equity interests in and/or the assets held by Cloud Factory and its subsidiaries.

The Exclusive Option Agreements were entered into on 28 March 2023 and 26 September 2023 and shall remain effective for 10 years therefrom, subject to Wuxi Lingjingyun's discretion to further renew its validity period. The Exclusive Option Agreements may also be terminated in writing by Wuxi Lingjingyun 30 days in advance.

Equity Pledge Agreements (《股權質押協議》)

Under the equity pledge agreement dated 28 March 2023 and 26 September 2023 entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries, Jiangsu Hanju and Wuxi Bangtai, which are two of the Registered Shareholders, (the “**Equity Pledge Agreements**”), Cloud Factory, Jiangsu Hanju and Wuxi Bangtai agreed to pledge all their respective equity interests in Cloud Factory and its subsidiaries that they own, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a charge to guarantee the performance of contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Powers of Attorney (as defined below).

The pledge in respect of (i) Cloud Factory; (ii) Shandong Dianya; (iii) Jiangsu Yiru; and (iv) Yun Ruitian took effect upon the completion of registration with relevant administration for industry and commerce on 25 May 2023, 8 October 2023, 7 October 2023 and 9 October 2023, respectively, and shall remain valid until after: (1) all the contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Powers of Attorney (as defined below) and the Equity Pledge Agreements have been fully performed or unanimously terminated by Cloud Factory and its subsidiaries and each of the Registered Shareholders; and (2) all the costs and debts to be borne by the Registered Shareholders and Cloud Factory and its subsidiaries thereunder have been fully paid. The Equity Pledge Agreements were entered into on 28 March 2023 and 26 September 2023 and shall remain effective before the termination of the Equity Pledge Agreements. The Equity Pledge Agreements may also be terminated in writing mutually.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), Wuxi Lingjingyun shall be compensated for all the losses it suffered due to such default, and Wuxi Lingjingyun shall upon written notice to Cloud Factory and/or the Registered Shareholders have the right to exercise all such rights as a party suffering breach of contract under any applicable PRC laws.

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Powers of Attorney (《授權委託書》)

Cloud Factory, Wuxi Lingjingyu and Wuxi Bangtai and Jiangsu Hanju, respectively, have executed the powers of attorney (the “**Powers of Attorney**”) on 28 March 2023 and 26 September 2023.

Under the Powers of Attorney, Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, covenanted that, they irrevocably, absolutely and unconditionally appoint Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun to manage their equity interest in Cloud Factory and/or its subsidiaries and exercise all shareholder’s rights in Cloud Factory and/or its subsidiaries.

Each of Wuxi Bangtai and Jiangsu Hanju has agreed that in the event of their insolvency, liquidation, de-registration or any other event which causes changes of their ownership of Cloud Factory, their successors and liquidators shall be entitled to and bound by their rights, obligations and liabilities under the Powers of Attorney.

Cloud Factory has agreed that (i) in the event of its insolvency, liquidation or any other event which causes change of its ownership of its subsidiaries, its successors management or liquidators (if any) shall be entitled to and bound by its rights, obligations and liabilities under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements; and (ii) unless approved by Wuxi Lingjingyun in writing, the voluntary arrangements and other legal instruments entered into by Cloud Factory shall not contain any provision that contravenes the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements.

Under the Powers of Attorney, Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, irrevocably appointed Wuxi Lingjingyun, its successors and any of its liquidators (if any), or its designated person(s) (including Directors and their successors and liquidator (if any)), or its designated person(s) (including Directors and their successors and liquidators replacing the Directors) as their attorneys-in-fact to exercise on their behalf, including but not limited:

- (1) to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of Cloud Factory and its subsidiaries, including but not limited to the right to dividends, and the sale, transfer, pledge or disposal or any or all of the equity interests in Cloud Factory and its subsidiaries;
- (2) to serve as an authorised representative to appoint and remove the legal representative, directors, supervisors, general manager and other chief executives of Cloud Factory and its subsidiaries;
- (3) to exercise the shareholders’ voting rights at the bankruptcy, liquidation, dissolution or termination of Cloud Factory and its subsidiaries;
- (4) to sign any documents, including without limitation to minutes of shareholders’ meeting of Cloud Factory and its subsidiaries; and

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- (5) to exercise other rights pursuant to the constitutional documents of Cloud Factory and its subsidiaries.

The authorisation under the Powers of Attorney by Wuxi Bangtai and Jiangsu Hanju, respectively, shall not cause a conflict of interest between Cloud Factory and its subsidiaries and Wuxi Lingjingyun. If a potential conflict of interest arises between Cloud Factory and its subsidiaries on one hand, and Wuxi Lingjingyun, on the other, Wuxi Bangtai and Jiangsu Hanju, respectively, shall not harm the interests of Wuxi Lingjingyun. Where any of the partners of Wuxi Bangtai or Shareholders of and Jiangsu Hanju serve as the director or senior management of our Company, Wuxi Bangtai or Jiangsu Hanju shall assign all rights and obligations under the Powers of Attorney to our Company or authorise other directors or senior management members of our Company appointed by Wuxi Lingjingyun. In case of conflict of interest, Wuxi Bangtai and Jiangsu Hanju, respectively, shall support the rights of Wuxi Lingjingyun and perform or act per Wuxi Lingjingyun's reasonable requests. Without the prior written consents from Wuxi Lingjingyun, each of Wuxi Bangtai and Jiangsu Hanju or their associated companies shall not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Cloud Factory to participate in, engage in, be involved in or own, any business which potentially competes with Cloud Factory, Cloud Factory's Affiliates or its business. If conflicts arise, the Registered Shareholders will act in the legitimate and best interests of Wuxi Lingjingyun.

The authorisation under the Powers of Attorney by Cloud Factory and Jiangsu Yiru shall not cause a conflict of interest between Cloud Factory's subsidiaries and Wuxi Lingjingyun. If a potential conflict of interest arises between Cloud Factory's subsidiaries on one hand, and Wuxi Lingjingyun, our Company or its subsidiaries on the other, Cloud Factory shall not harm the interests of Wuxi Lingjingyun or our Company. Where any of the Shareholders of Cloud Factory and/or Jingsu Yiru serves as the director or senior management of our Company, Cloud Factory and/or Jiangsu Yiru shall assign all rights and obligations under the Powers of Attorney to our Company or authorise other directors or senior management members of our Company appointed by Wuxi Lingjingyun. In case of conflict of interest, Cloud Factory and/or Jiangsu Yiru shall support the rights of Wuxi Lingjingyun and perform or act per Wuxi Lingjingyun's reasonable requests. Without the prior written consents from Wuxi Lingjingyun, Cloud Factory and/or Jiangsu Yiru shall not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Cloud Factory's subsidiaries to participate in, engage in, be involved in or own, any business which potentially competes with its subsidiaries or its subsidiaries' Affiliates or their business. If conflicts arise, Cloud Factory and Jingsu Yiru will act in the legitimate and best interests of Wuxi Lingjingyun.

The Powers of Attorney shall be irrevocable and remain effective until the Exclusive Business Cooperation Agreements, Exclusive Option Agreements and Equity Pledge Agreements are terminated or Wuxi Lingjingyun informs Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, in writing the termination of the Powers of Attorney.

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Undertaking by Mr. Sun

Mr. Sun has confirmed to the effect that (i) his spouse (where applicable) does not own and does not have the right to claim any interests in the equity interest of Cloud Factory (together with any other interests therein); (ii) where applicable, in the event of his death, incapacity, bankruptcy, divorce, or any other event which causes his inability to exercise his rights as a shareholder of Cloud Factory, his successors including his spouse, will not, under any circumstance and in any way, take any action, when such action may affect or hinder himself in performing his obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Powers of Attorney; (iii) he will not directly or indirectly participate in, engage in, hold interest of or profit from any competing business or potentially competing business by utilising any information obtained in the operation of Cloud Factory and its subsidiaries; (iv) in case of potential or actual conflict of interest with Cloud Factory, Wuxi Lingjingyun or their associated companies, he will not cause any adverse impact on Cloud Factory, Wuxi Lingjingyun and their associated companies and will use his best endeavour to eliminate such conflicts in time; and (v) in case he assume directorship or senior management roles of Wuxi Lingjingyun and its associated companies, he shall assign all rights and obligations under the Powers of Attorney to Wuxi Lingjingyun or other directors or senior management members designated by Wuxi Lingjingyun.

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 interpretation and/or performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Cloud Factory and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Cloud Factory and/or its subsidiaries; any party may apply to the courts of Beijing (being the place of incorporation of Cloud Factory), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) and the places where the principals assets of Cloud Factory and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carrying out of arbitration.

However, our PRC Legal Adviser has advised that parts of the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal may be unable to enforce such dispute resolution provisions. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

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As a result of the above, in the event that Cloud Factory or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. For details, please refer to the paragraph headed “Risk Factors — Risks Related to our Contractual Arrangements” in this document.

Loss Sharing

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

However, as provided in the Exclusive Option Agreements, without the prior written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not, among others (i) sell, transfer, pledge, or dispose of in any manner any of its assets of more than RMB1,000,000; (ii) execute any material contract with a value above RMB1,000,000, except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreement, the potential adverse effect on Wuxi Lingjingyun and our Company in the event of any loss suffered from Cloud Factory and its subsidiaries can be limited to a certain extent.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. For details, please refer to the paragraph headed “Risk Factors — Risks Related to our Contractual Arrangements” in this document. 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 at the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

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Liquidation

Pursuant to the Exclusive Option Agreements, in the event of mandatory liquidation required by the PRC laws, Cloud Factory and the Registered Shareholders have undertaken that in the event of a dissolution or liquidation, all of the remaining assets of Cloud Factory shall be transferred to Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun at the lowest purchase price that is permitted by the PRC law.

Our Confirmation

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the IDC Solution Services and Edge Computing Services through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that:

- (a) parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the Contractual Arrangements is binding on the parties thereto and none of them would fall within the circumstances as stipulated in the PRC Civil Code (中華人民共和國民法典) which render the arrangements invalid under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Cloud Factory and its subsidiaries or Wuxi Lingjingyun;
- (d) parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
 - (i) the exercise of the option by Wuxi Lingjingyun of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Cloud Factory and its subsidiaries is subject to the approvals of and/or registrations with the PRC regulatory authorities;
 - (ii) any share pledge contemplated under the Share Pledge Agreements is subject to the registration with local market supervision administration; and
 - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement.

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- (e) each of the agreements conferring significant control and economic benefits from the Consolidated Affiliated Entities is enforceable under the relevant laws and regulations including but not limited to the Foreign Investment Law and the Foreign Investment Negative List, except for the following provisions regarding dispute resolution and the liquidation committee:
 - (i) the Contractual Arrangements provide that any dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in Beijing, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Cloud Factory and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Cloud Factory and/or its subsidiaries; any party may apply to the courts of Beijing (being the place of incorporation of Cloud Factory), Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the places where the principal assets of Cloud Factory and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carrying out of arbitration; and
 - (ii) the Contractual Arrangements provide that the shareholders of Cloud Factory and its subsidiaries undertake to appoint a committee designated by Wuxi Lingjingyun as the liquidation committee upon the winding up of Cloud Factory and its subsidiaries to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Based on the above and the Consultations, the PRC Legal Adviser is of the view that the adoption of the Contractual Arrangements does not constitute a breach or violation of any of the current applicable PRC laws and regulations and that the Contractual Arrangements will not be deemed ineffective or invalid and will not result in any administrative proceedings or penalties on us.

However, as advised by our PRC Legal Adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Adviser. For details, please refer to the paragraph headed “Risk Factors — Risks Related to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations” in this document.

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Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC and not likely to be challenged by the relevant authorities in the PRC. Our PRC Legal Adviser is of the view that the CAICT and the personnel consulted in the interviews were competent in interpreting the relevant regulations and rules of the PRC for the IDC Solution Services. We are also advised by our PRC Legal Adviser that the transfer of economic benefits from our Consolidated Affiliated Entities to Wuxi Lingjingyun and the pledging of the entire equity interest held by the Registered Shareholders in Cloud Factory and that held by Cloud Factory in its subsidiaries to Wuxi Lingjingyun under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations.

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2021 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law (中華人民共和國合同法) and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code came into effect on 1 January 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code no longer specifies the "concealing illegal intentions with a lawful form" as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on the false expression of intention, a civil juristic act violates of public order and morals. The provisions on the validity of civil juristic acts also apply to the validity of

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contracts. Our PRC Legal Adviser is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic acts under the PRC Civil Code.

Given that the 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. For details, please refer to the section headed "Connected Transactions" in this document.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by Wuxi Lingjinyun, Cloud Factory and its subsidiaries will pay service fees to Wuxi Lingjinyun. The service fees shall be the total consolidated profit of Cloud Factory after the deduction of any minority interest, operating costs, depreciation, other expenses and relevant taxes. Accordingly, Wuxi Lingjinyun has the ability, at its sole discretion, to extract the economic benefits of Cloud Factory (and its subsidiaries on a consolidated basis) through the Exclusive Business Cooperation Agreements.

In addition, under the Exclusive Option Agreements, Wuxi Lingjinyun has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders and Cloud Factory as Wuxi Lingjinyun's prior written consent is required before any distribution can be made.

As a result of these Contractual Arrangements, our Company has obtained control of Cloud Factory (and its subsidiaries on a consolidated basis) through Wuxi Lingjinyun and, at our Company's sole discretion, can receive the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities, excluding the minority interest, into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 2 to the Accountants' Report in Appendix I to this document.

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Development in the PRC Legislation on Foreign Investment

The Foreign Investment Law (2019)

The Foreign Investment Law (《中華人民共和國外商投資法》) was adopted at the 2nd Session of the 13th NPC of the PRC on 15 March 2019 and came into force on 1 January 2020. On 26 December 2019, the State Council issued the Implementation Rules (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020.

The Foreign Investment Law stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list”, which was issued by the MOFCOM and the NDRC, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list”, management shall be conducted under the principle of consistency of domestic and foreign investment. The Foreign Investment Law does not contain or quote the stipulation of the “negative list”.

Unlike the 2015 draft foreign investment law (which did not come into effect), the definition of “foreign investors” in Foreign Investment Law and its implementing regulations includes foreign natural persons, enterprises and other organisations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law and its implementing regulations do not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under the laws or administrative regulations or by the State Council” without elaboration on “other means”.

Our Company will, after the [REDACTED], timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the Foreign Investment Law (2019) that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the Foreign Investment Law (2019) or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law, as well as its material impact on our business operation and financial position.

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Development in the PRC Legislation relating to Overseas Listing

On 24 December 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行上市備案管理辦法(徵求意見稿)》) (collectively the “**Draft Listing Regulations**”).

According to the Draft Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either by direct or indirect means (such as ours), are required to fulfill the filing procedure with the CSRC and report relevant information. The Draft Listing Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity (“**VIE**”) structure through contractual arrangements, including but not limited to the circumstances under which overseas listing was prohibited by the PRC laws, regulations and relevant provisions in relation to foreign investment, cybersecurity, data security, corporate governance, financial and accounting practices, the planned [REDACTED], and confidentiality duty that listing applicants shall comply. Where an issuer submits an application for an initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Listing Regulations also required subsequent reports to the CSRC on material events, such as material change in principal business and change of control.

On 17 February 2023, the CSRC issued relevant rules, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the Regulatory Rule Applicable Guidelines (《監管規則適用指引》) (hereafter collectively referred to as the “**Listing Regulations**”, which became effective on 31 March 2023), which provided that the CSRC will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Where an issuer seeks overseas public offering or listing, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. In case of material changes in the principal business or business licence and change of control after the filing, the filing materials must be updated within three working days after such changes. As confirmed by our PRC Legal Adviser, we will complete the filing procedures with the CSRC according to the Listing Regulations.

According to the Listing Regulations, domestic enterprises seeking overseas offering and listing shall strictly abide by relevant requirements of laws and regulations on foreign investment, cybersecurity and data security. For industries which are specifically prohibited from listing by laws, administrative regulations or state regulations, overseas offering and listing are strictly prohibited. For enterprises seeking overseas listing through contractual arrangement (agreement control) structures, the following specific statements should be made: 1) whether there are any domestic laws, administrative regulations and relevant regulations clearly providing that business, licences, qualifications shall not be controlled in form of agreements or contractual arrangements;

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2) whether the domestic operating entity controlled by way of variable interest entity structure arrangement falls within the scope of foreign investments security reviews and is involved in areas in which the foreign investments are restricted or prohibited.

In addition, on 27 December 2021, the NDRC and the MOFCOM published the latest Foreign Investment Negative List. Article 6 of the Interpretation Note of the Negative List (2021) (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List (2021) on Access to Foreign Investment seeks to issue and list its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under Negative List (2021)**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.” Because the business of the Group is in the restricted areas of the Negative List (2021) instead of the prohibited areas, Article 6 would not apply to the Group’s [REDACTED] and the Group is not required to obtain governmental approval regarding the [REDACTED].

Our Directors confirm that, as at the date of this document, the Group has not received any enquiries, notice, sanction and other concerns, from any authorities, in regard to its qualification of overseas [REDACTED], Contractual Arrangements and VIE structure.

Impact of Foreign Investment Law on Contractual Arrangements

Our PRC Legal Adviser is of the view that since contractual arrangements are not specified as foreign investments under the Foreign Investment Law and its implementing regulations and if there is no applicable law or regulation that explain other means of foreign investment under the Foreign Investment Law, or if other means of foreign investment are not specified under applicable laws or regulations to include contractual arrangements, it is unlikely that the Contractual Arrangements will be deemed as “foreign investments” under the Foreign Investment Law and its implementing regulations and therefore the Contractual Arrangements is valid, legal and binding under PRC law. For details, please refer to the paragraph headed “— Legality of the Contractual Arrangements” of this section.

If the operation of the relevant business is not on the “negative list” and we can legally operate such business under PRC laws, Wuxi Lingjingyun will exercise the option right under the Exclusive Option Agreements to acquire the equity interest of Cloud Factory and/or its subsidiaries and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the provision of our IDC Solution Services and Edge Computing Services is on the “negative list”, unless applicable laws or regulations define contractual arrangements as one of the “other means” of foreign investment, the probability that Contractual Arrangements are deemed as “foreign investment” under the Foreign Investment Law and be regulated by relevant authorities on accordance with the requirements of the “negative list”, which results in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list” is low.

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In order to comply with the PRC laws and regulations, the Group implemented the Contractual Arrangements to allow the Company to gain effective control over, and receive substantially all the economic benefits generated by the business currently operated by Cloud Factory. In that regard, If there are no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of the Contractual Arrangements, the Directors, the Sole Sponsor and our PRC Legal Adviser are of the view that, as at the Latest Practicable Date, the Foreign Investment Law and the recent developments in the regulations on foreign investment in the PRC will not have any material adverse impact on the Group's business operations as well as the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected and therefore, the adoption of a VIE structure through contractual arrangements would not constitute a legal obstacle to the Company's proposed [REDACTED] as at the Latest Practicable Date and the Contractual Arrangement will continue to be legal, valid and binding on the parties.

As there are no other related ancillary regulations or implementing rules of the Foreign Investment Law defining other means of foreign investment, the interpretation and implementation of the Foreign Investment Law might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the laws and regulations above will not only apply to our Company and Cloud Factory and its subsidiaries, but also apply to other entities which operate under Contractual Arrangements. For details, please refer to the paragraph headed "Risk Factors — Risks Related to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations" in this document.

Subsequent to our filing application submitted to the CSRC in accordance with the Overseas Listing Trial Measures, the CSRC published the notification on our completion of the required filing procedures on 2 April 2024. As at the Latest Practicable Date, no further inquiries or notices, or any warnings, sanctions or other concerns were given or raised by the CSRC regarding the Contractual Arrangements.

Compliance with the Contractual Arrangements

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

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

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- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board in reviewing the implementation of the Contractual Arrangements, review the legal compliance of Wuxi Lingjingyun and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.