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## CONTRACTUAL ARRANGEMENTS

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### BACKGROUND

We are a technology-driven platform in China providing data-based carpooling marketplace and smart taxi services (collectively, the “VATS Business”) through our online platforms in the PRC. We have operated the VATS Business through Beijing Changxing and its subsidiary, which are our Consolidated Affiliated Entities and PRC operating entities.

Investment activities in the PRC by foreign investors are mainly governed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “2021 Negative List”) and the Catalogue of Encouraged Industries for Foreign Investment (2022 Version) (鼓勵外商投資產業目錄(2022年版)) (the “2022 Encouraged Catalog”), which were promulgated and are amended from time to time jointly by MOFCOM and the NDRC. According to the 2021 Negative List and the 2022 Encouraged Catalog and applicable PRC laws and regulations, our VATS Business involve certain foreign investment prohibited and restricted businesses and require value-added telecommunication business related licenses. Beijing Changxing currently holds the VATS Licenses for conducting our VATS Business. See “Regulations—Regulations on Value-added Telecommunications Services and Foreign Investment Restrictions” for details. On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “FITE Regulations”), which were amended on September 10, 2008, February 6, 2016 and March 29, 2022, respectively. According to the FITE Regulations, foreign investors are restricted from holding equity interests of a company providing value-added telecommunications services. We provide carpooling marketplace services and smart taxi services through our mobile apps, which constitutes foreign investment restricted value-added telecommunications services in the PRC that requires the service provider to obtain an ICP license for such services. In addition, we have developed cloud-based toolkits embedded in our mobile app to expand its functions, which constitutes foreign investment prohibited value added telecommunication services in the PRC that requires the service provider to obtain an IDC license (together with the ICP license, the “VATS Licenses”) for such services. Given that all such services are or will be provided by us on our uniformed mobile app platform for all of our services, we are subject to foreign ownership prohibition and restrictions in China. Beijing Changxing, our PRC operating entity, has obtained the VATS Licenses for operating our VATS Business.

To comply with applicable laws and regulations and in line with common practice in companies conducting value-added telecommunication business in the PRC, we have established the contractual arrangement (the “Contractual Arrangements”) through a series of agreements among the WFOE, Beijing Changxing and the Registered Shareholders in December 2014, which was last amended and restated in September 2020. Pursuant to the Contractual Arrangements, all substantial and material business decisions of our Consolidated Affiliated Entities will be instructed and supervised by our Group through the WFOE, and all risks arising from the business of Our Consolidated Affiliated Entities are also effectively borne by our Group as a result of it being treated as our wholly-owned subsidiaries. Our Directors consider that it is fair and reasonable for the WFOE to exercise control over and enjoy all the economic benefits derived from the operations of Our Consolidated Affiliated Entities through the Contractual Arrangements as a whole. See “—Our Contractual Arrangements” for details of the Contractual Arrangements.

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Based on the consultation conducted by our PRC legal advisors and the PRC legal advisors of the Joint Sponsors with a deputy director of Industry Department of Communication Administration Bureau of the Ministry of Industry and Information Technology (“MIIT”) on September 14, 2020, December 23, 2020 (the “Consultation”), the provision of the VATS Business by our Company requires the VATS Licenses, and we were not able to obtain VATS Licenses through any sino-foreign equity joint venture or wholly owned foreign investment entity. As advised by our PRC legal advisors, (1) the interviews were made with the competent official who has the competent authority, and (2) the MIIT is the competent authority to confirm matters relating to the operations of value-added telecommunication business and application of relevant license.

On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations (關於修改和廢止部分行政法規的規定) (the “2022 Decision”), which came into effect on May 1, 2022. According to the 2022 Decision, the requirement of good track record and operational experience of the primary foreign investor in a foreign-invested value-added telecommunications enterprise (the “Qualification Requirements”), as stipulated in the previous FITE Regulation was canceled. The FITE Regulations were newly amended by 2022 Decision and the PRC government authorities may further impose additional requirements for foreign investors that invest in a company providing value-added telecommunication services in China in practice.

In accordance with a consultation with the MIIT through official hotline conducted by our PRC legal advisors and the PRC legal advisors of the Joint Sponsors in January 2023, the removal of the Qualification Requirements does not have any influence on the abovementioned restrictions or prohibitions on foreign investment in value-added telecommunication business in any material respects such that we would be able to obtain VATS Licenses through any sino-foreign equity joint venture or wholly owned foreign investment entity. In addition, as of the Latest Practicable Date, we had not received any inquiry or notice from the competent authorities regarding the validity of our VATS Licenses or our Contractual Arrangements as a whole. As such, our PRC legal advisors advised us that, (1) the foreign investment in the VATS Business is restricted or prohibited under current PRC laws and regulations; and (2) the removal of the Qualification Requirements does not change the abovementioned restrictions or prohibitions on foreign investment in our VATS Business such that our Company would be able to hold our Consolidated Affiliated Entities directly or indirectly through equity ownership. Accordingly, we believe that the Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

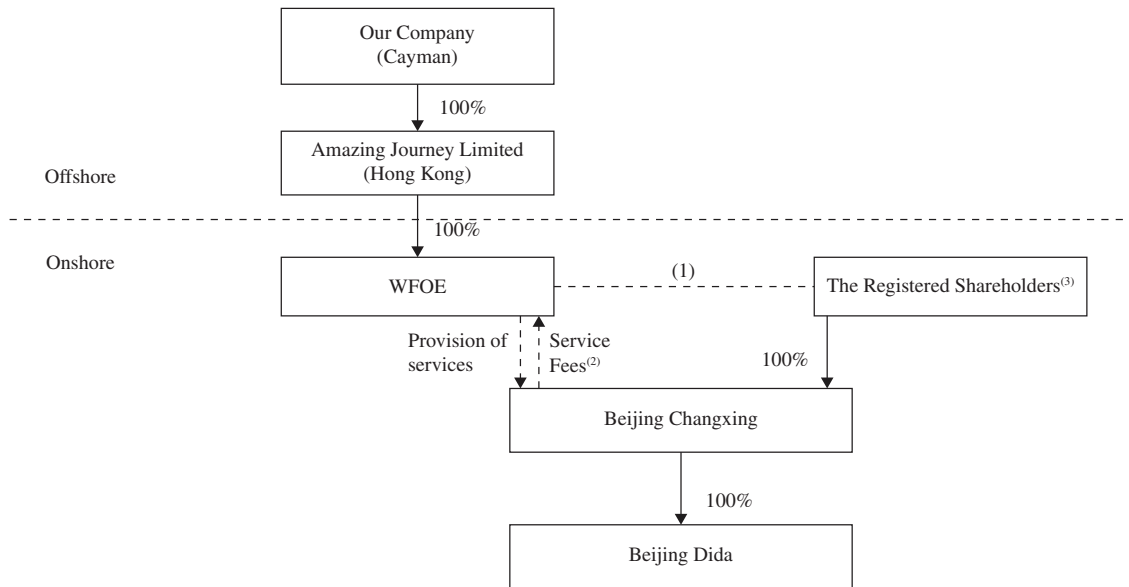
We will closely monitor any future development relating to the laws and regulations relating to foreign investment restriction and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. See “Risk Factors—Risks Relating to Our Contractual Arrangements” for details. Nevertheless, we will terminate the Contractual Arrangements to the extent permissible and directly hold the maximum percentage of ownership interest permissible under applicable laws and regulations if the relevant government authority grants the VATS Licenses to the sino-foreign equity joint venture established by us.

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#### Overview

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



——▶ Beneficial ownership in equity interests

-----▶ Beneficial ownership through contractual arrangement

- (1) Control of WFOE over the business of Consolidated Affiliate Entities through agreements with the Registered Shareholders: (i) Exclusive Option Agreement and Exclusive Asset Acquisition Agreement, (ii) Equity Pledge Agreements, (iii) Powers of Attorney, and (iv) Loan Agreement.
- (2) Control of WFOE over the business of Consolidated Affiliate Entities through Exclusive Business Cooperation Agreement.
- (3) As of the Latest Practicable Date, Beijing Changxing was owned as to 60.5755% by Mr. SONG, 10.5362% by Mr. ZHU Min, 10.5362% by Mr. LI Jinlong, 10.5362% by Mr. LI Yuejun and 7.8159% by Mr. DUAN Jianbo, who were the Registered Shareholders.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of the Consolidated Affiliated Entities will be instructed and supervised by our Group, through WFOE, and all risks arising from the business of the Consolidated Affiliated Entities are also effectively borne by our Group as a result of such Consolidated Affiliated Entities being treated as our wholly-owned subsidiaries. Accordingly, our Directors believe that it is fair and reasonable for WFOE to be entitled to all economic benefits generated by the business operated by the Consolidated Affiliated Entities through the Contractual Arrangements as a whole.

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Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Business Cooperation Agreement with WFOE, Beijing Changxing 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.

### **Exclusive Business Cooperation Agreement**

Pursuant to the exclusive business cooperation agreement dated September 16, 2020 between Beijing Changxing and WFOE (the "Exclusive Business Cooperation Agreement"), WFOE agreed to be engaged as the exclusive provider to Beijing Changxing of technical and business support, consultation and other services, in exchange for service fees, including, among others, technical services, staff training services, network support, business consultation services, intellectual properties licensing, devices or office premises leasing, market consultation services, system integration services, products research and development services and providing system maintenance services, as well as other services specified by Beijing Changxing from time to time, based on the WFOE's actual business scope, to the extent permitted by PRC laws and regulations.

Under the Exclusive Business Cooperation Agreement, the service fee shall be determined by the WFOE, if not violating the mandatory provisions of PRC laws, in accordance with the amount of services provided by the WFOE and the value thereof, and shall consist of 100% of the total consolidated profit of our Consolidated Affiliated Entities, after deduction of any accumulated deficit of our Consolidated Affiliated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions in relation to the respective fiscal year, subject to adjustment as determined by the WFOE, in its sole discretion, from time to time according to, among others, the volume and nature of the services provided. The WFOE shall calculate the service fees on an annual basis and in accordance with the payment instructions of the WFOE. Notwithstanding the payment agreements in the Exclusive Business Cooperation Agreement, WFOE may, in its sole discretion, adjust the payment time and payment method.

In addition, the WFOE is the sole and exclusive provider of services under the Exclusive Business Cooperation Agreement. Without the prior written consent of the WFOE, Beijing Changxing shall not directly or indirectly accept any consultation or providing of the same or any similar services by any third party and shall not establish cooperation relationship similar to that formed by the Exclusive Business Cooperation Agreement with any third party. However, the WFOE may appoint other parties, who may enter into certain agreements with Beijing Changxing, to provide to Beijing Changxing the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provided that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Beijing Changxing during the performance of the Exclusive Business Cooperation Agreement. Beijing Changxing shall take all actions to ensure the aforesaid interests and rights be vested in the WFOE.

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The Exclusive Business Cooperation Agreement has a term of ten years commencing from December 4, 2014. The WFOE has the sole discretion and right to renew the term at its will. The Exclusive Business Cooperation Agreement shall not be terminated unless (a) in writing by the WFOE; or (b) term of such agreement is expired.

During the Track Record Period, WFOE charged approximately RMB148.7 million, RMB130.9 million and RMB248.5 million service fees from Beijing Changxing and its subsidiary pursuant to the Exclusive Business Cooperation Agreement.

### **Exclusive Option Agreement and Exclusive Asset Acquisition Agreement**

Pursuant to the exclusive option agreement dated September 16, 2020 among Beijing Changxing, the WFOE and the Registered Shareholders (the "Exclusive Option Agreement") and the exclusive asset acquisition agreement dated September 16, 2020 among Beijing Changxing and the WFOE (the "Exclusive Asset Acquisition Agreement"), the WFOE has the exclusive right to acquire all the assets/interests in Beijing Changxing and require the Registered Shareholders to transfer any or all their equity interests in Beijing Changxing to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the minimum purchase price permitted under the PRC laws or at the appraised value of the acquired assets if required by PRC laws and regulations. Beijing Changxing and the Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to the WFOE, in such way required by the WFOE, any consideration that they receive in the event the WFOE exercises the options under the Exclusive Option Agreement or the Exclusive Asset Acquisition Agreement to acquire the equity interests and/or assets in Beijing Changxing. Beijing Changxing and the Registered Shareholders have undertaken that, among others,

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of our Consolidated Affiliated Entities, increase or decrease our Consolidated Affiliated Entities registered capital, or change the structure of our Consolidated Affiliated Entities' registered capital in other manner;
- they shall maintain our Consolidated Affiliated Entities' corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits, prudently and effectively operate our Consolidated Affiliated Entities' business, and handle our Consolidated Affiliated Entities' affairs. The annual budgeting and final accounting of our Consolidated Affiliated Entities shall obtain the prior written consent of the WFOE;
- without the prior written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any manner the equity shares of our Consolidated Affiliated Entities, or allow the encumbrance thereon of any security interest, or allow investment by using the assets of our Consolidated Affiliated Entities;

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- without the prior written consent of the WFOE, they shall not at any time sell, transfer, pledge or dispose of in any manner any material assets of our Consolidated Affiliated Entities or legal or beneficial interest in the material business or revenues of our Consolidated Affiliated Entities, or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOE, our Consolidated Affiliated Entities shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business and/or debt that has already been disclosed to and agreed by the WFOE;
- our Consolidated Affiliated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause our Consolidated Affiliated Entities to execute any material contract (the consideration of which exceeds RMB100,000), except the contracts executed in the ordinary course of business, where without the prior written consent of the WFOE, our Consolidated Affiliated Entities shall not, in their ordinary course of business, enter into a contract or similar transaction with consideration of RMB500,000 or more or enter into series of contracts or similar transactions with aggregated consideration of RMB1,000,000 or more in any consecutive 12-month period;
- without the prior written consent of the WFOE, our Consolidated Affiliated Entities shall not provide any person with any loan or credit;
- our Consolidated Affiliated Entities shall provide to the WFOE information on its business operations and financial condition at the request of the WFOE;
- if requested by the WFOE, they shall procure and maintain insurance in respect of our Consolidated Affiliated Entities' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit our Consolidated Affiliated Entities to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating our Consolidated Affiliated Entities' assets, business or revenue;
- without the prior written consent of the WFOE, our Consolidated Affiliated Entities shall not be dissolved or liquidated;

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- to maintain the ownership by our Consolidated Affiliated Entities of all of our Consolidated Affiliated Entities' assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- without the prior written consent of the WFOE, our Consolidated Affiliated Entities shall not in any manner distribute dividends to our Consolidated Affiliated Entities' shareholders, provided that upon the written request of the WFOE, our Consolidated Affiliated Entities shall immediately distribute all distributable profits to its shareholders. The Registered Shareholders shall transfer all dividends and other assets or benefits receivable by him to the WFOE for free as soon as practicable upon request;
- at the request of the WFOE, our Consolidated Affiliated Entities shall appoint any persons designated by the WFOE as the directors, supervisors (if applicable) and senior management of our Consolidated Affiliated Entities;
- if the WFOE is not able to exercise its option or rights thereunder due to tax reasons of our Consolidated Affiliated Entities or the Registered Shareholders, the WFOE has the right to require them to fulfill its tax obligations; and
- our Consolidated Affiliated Entities and the Registered Shareholders shall not enter into any agreement or arrangement conflict with the Contractual Arrangements.

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

- 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 Beijing Changxing, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, and procure the shareholders' meeting and/or the board of directors of Beijing Changxing not to approve such matters;
- without the prior written consent of the WFOE, if Beijing Changxing proposed to, among others, merge with, acquire or invest in or conduct any matters as mentioned above, they shall vote against or procure the shareholders' meeting and/or the board of directors of Beijing Changxing vote against such matters;
- inform the WFOE immediately of any actual or potential litigation, arbitration or administrative proceeding relating to the shareholding of Beijing Changxing;
- take all necessary actions and execute all necessary documents to litigate or defend in proceedings to safeguard its ownerships in Beijing Changxing;
- without the prior written consent of the WFOE, they shall not appoint or remove any directors, supervisors or designated management members of Beijing Changxing, and they shall appoint such directors as nominated by the WFOE in Beijing Changxing;

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- upon the request by the WFOE or its appointee(s) to exercise options under the Exclusive Option Agreements, they shall immediately transfer to the WFOE or its appointee(s) its equity interest in Beijing Changxing, and relinquish the pre-emptive right (if any) he/she is entitled to in relation to the transfer of equity interest by any other shareholders to Beijing Changxing and give consent to the execution by each other shareholder of Beijing Changxing;
- procure the shareholders' meeting and/or the board of directors of Beijing Changxing to approve such matters; and
- subject to the relevant laws and regulations, the Registered Shareholders will return to the WFOE any consideration they receive in the event that the WFOE exercise the options under the Exclusive Option Agreements to acquire the equity interests in Beijing Changxing.

Each of the Exclusive Option Agreement and the Exclusive Asset Acquisition Agreement has a term of ten years commencing from December 4, 2014. The WFOE has the sole discretion and right to renew the term at its will. In the event that the operation of the Relevant Businesses and holding of ownership interests of Beijing Changxing by the WFOE is practicable and permissible under relevant PRC laws and regulations, the WFOE has the right to terminate the Exclusive Option Agreement and the Exclusive Asset Acquisition Agreement by giving written notice to Beijing Changxing thirty days prior to such termination. Without prior written consent of the WFOE, none of Beijing Changxing or the Registered Shareholders may unilaterally terminate such agreements.

### **Equity Pledge Agreement**

Pursuant to the equity pledge agreement dated September 16, 2020 entered into between the WFOE, Beijing Changxing and the Registered Shareholders (the "Equity Pledge Agreement"), the Registered Shareholders agreed to pledge all their respective equity interests in Beijing Changxing that they own to the WFOE as a security interest to guarantee the performance of contractual obligations and any payment due to the WFOE under the Contractual Arrangements, including but not limited to, the service fees under the Exclusive Business Cooperation Agreement and outstanding loans under the Loan Agreement.

The pledge in respect of Beijing Changxing took effect upon the completion of the registration with the relevant administration for industry and commerce and shall remain valid for an initial term of ten years commencing from the effective date, which may be renewed by the WFOE in writing or automatically renewed to the same term as the renewed agreements for the Contractual Arrangements. If there is outstanding debts of the Registered Shareholders or Beijing Changxing under the relevant Contractual Arrangements, the valid period of Equity Pledge Agreement may be renewed in writing by the WFOE to the date when all such outstanding debts have been fully paid.



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Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreements. The Registered Shareholders have undertaken that, among others, they will not transfer or bestow its respective equity interests in Beijing Changxing without prior written consent of the WFOE, and their obligations under this agreement shall be binding on his successors.

As of the date of this document, we had completed the registration of the Equity Pledge Agreements as required by the relevant PRC laws and regulations.

### **Powers of Attorney**

Each of the Registered Shareholders has executed a power of attorney dated September 16, 2020 (collectively, the "Powers of Attorney"), pursuant to which, each of the Registered Shareholders has irrevocably appointed the WFOE and its designated persons (including but not limited to the Directors and their successors and liquidators replacing the Directors but excluding those who are not independent or who may give rise to conflict of interests) as his exclusive attorneys-in-fact to exercise on his behalf, and agreed and undertook not to exercise, without such person's prior written consent, any and all right that he has in respect of his equity interests in Beijing Changxing, including without limitation:

- to attend shareholders' meetings of Beijing Changxing and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to exercise all the shareholder's rights and the shareholder's voting rights in accordance with law and the constitutional documents of Beijing Changxing, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Beijing Changxing, and disposal of any or all of the assets in Beijing Changxing;
- to nominate and appoint the legal representatives, directors, supervisors, chief executive officer and other senior management of Beijing Changxing; and
- to determine and take actions for winding-up and dissolution of Beijing Changxing.

Each of the individual Registered Shareholders has undertaken that in the event that he becomes a natural person without civil capacity or a natural person with limited capacity for civil activity due to any reasons, his representatives or successors shall continue to perform his obligations and enjoy the benefits under the Contractual Arrangements subject to the terms of the Powers of Attorney.

The Powers of Attorney shall be valid during the term when such Registered Shareholder holds equity interests in Beijing Changxing, and shall not terminate unless (i) in writing by the WFOE or (ii) all the equity interests or assets of Beijing Changxing are transferred to the WFOE.

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### **Loan Agreement**

The WFOE and the Registered Shareholders entered into a loan agreement (the “Loan Agreement”) on September 16, 2020, pursuant to which, the WFOE agrees to provide an aggregate of RMB10.0 million to the Registered Shareholders on pro rata basis. An amount of RMB1.0 million was provided to the Registered Shareholders for their contribution to the registered share capital of Beijing Changxing pursuant to the Loan Agreement in 2015, and the remaining RMB9.0 million was provided to the Registered Shareholders for their contribution to the registered share capital of Beijing Changxing pursuant to the Loan Agreement in September 2020.

Pursuant to the Loan Agreement, the loans thereunder shall only be used for contributing funds as registered capital of Beijing Changxing unless otherwise approved by the WFOE. The loans thereunder shall be interest-free if the considerations for transfer of shares by the Registered Shareholders to the WFOE or its designated persons are not more than the principal of such loans; otherwise, the Registered Shareholders shall repay the amount equal to the difference between the considerations and the principal as the interests to the WFOE under the Loan Agreement. The loans will be repaid by the Registered Shareholders by way of transferring all their equity interests in Beijing Changxing to the WFOE, unless otherwise agreed by the WFOE.

The Loan Agreement shall be valid during the term commencing from November 10, 2017 and ending on the date when all the obligations under the Loan Agreement terminate.

### **Succession**

#### ***Spousal Undertakings***

On September 16, 2020, the spouse of each of the Registered Shareholders, as applicable, signed an undertaking (collectively, the “Spouse Undertakings”) to the effect, among others, that:

- each spouse confirmed and agreed that her spouse’s existing and future equity interests in Beijing Changxing (together with any other interests therein) are separate properties of her spouse; her spouse or the ultimate beneficial owners are entitled to deal with his own equity interests and any interests therein in Beijing Changxing in accordance with the respective Contractual Arrangements. Each spouse also further confirmed that she will fully assist to the performance of the respective Contractual Arrangements at any time;
- each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets;

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- each spouse confirmed that her spouse may further amend or terminate the Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and
- each spouse will be bound by the terms of the Contractual Arrangements as amended from time to time if she has obtained any equity interests, directly or indirectly, in Beijing Changxing for whatever reasons.

Our PRC legal advisors are of the view that (1) the above arrangements provide protection to our Group even in the event of death or divorce of any of such shareholder of Beijing Changxing and (2) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and the WFOE can still enforce its rights under the Contractual Arrangements against the successors of such shareholder.

### *Confirmation and Undertakings from the Registered Shareholders*

Each of the Registered Shareholders has confirmed and undertaken to the effect that in the event of his death, incapacity, divorce or any other event which causes his inability to exercise his rights as a shareholder of Beijing Changxing, his successors, debtor, spouse or any other persons entitled to claim rights or interests in Beijing Changxing will be bound by Contractual Arrangements as if they were a party to relevant agreements and will success their rights and obligations under the respective Contractual Arrangements. Each of the Registered Shareholders has also confirmed that, among others, (1) the respective equity interests of the Registered Shareholders in Beijing Changxing are separate properties of such shareholders but not communal properties with his/her spouse, and (2) the respective shareholders is entitled to deal with his own equity interests and any interests therein in Beijing Changxing at his sole discretion.

### **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 China International Economic and Trade Arbitration Commission (the "CIETAC") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be held in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or assets of the Registered Shareholders (as the case may be) or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets of our Consolidated Affiliated Entities) or order the winding up of our Consolidated Affiliated Entities; the WFOE may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

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However, our PRC legal advisors have advised that the above provisions may not be enforceable under PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Beijing Changxing pursuant to current PRC laws and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands are subject to recognition and enforcement by PRC courts according to the applicable laws and regulations. Even if the abovementioned provisions may not be enforceable under PRC laws and regulations, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that Beijing Changxing 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. See “Risk Factors—Risks Relating to Our Contractual Arrangements.”

### **Conflict of Interest**

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

### **Loss Sharing**

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

However, as provided in the Exclusive Option Agreement and the Exclusive Asset Acquisition Agreement, without the prior written consent of the WFOE, Beijing Changxing shall not, among others, dispose of any equity interests, asset of our Consolidated Affiliated Entities, execute any material contracts, provide any loan or guarantee to third parties or create any incumbrance on any asset of our Consolidated Affiliated Entities, or distribute any dividend. See “—Exclusive Option Agreement and Exclusive Asset Acquisition Agreement” for details. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

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### Liquidation

Pursuant to the Contractual Arrangements, in the event of a mandatory liquidation required by the PRC laws and regulations, the Registered Shareholders shall 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 and regulations.

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

### Company’s Confirmation

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

### Circumstances under which We will Adjust or Unwind the Contractual Arrangements

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations.

## LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC legal advisors are of the opinion that:

- (a) each of the WFOE and the Consolidated Affiliated Entities is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of the individual Registered Shareholders is a natural person with full civil and legal capacity; and all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

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## CONTRACTUAL ARRANGEMENTS

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- (b) the Contractual Arrangements do not fall within the circumstances which will lead such arrangements to be void under the PRC Civil Code, including the following circumstances:
  - (i) a civil juristic act performed by a person having no capacity for civil conducts;
  - (ii) a civil juristic act performed by the actor and the counterparty based on false expression of intention;
  - (iii) a civil juristic act violates the mandatory provisions of laws and administrative regulations;
  - (iv) a civil juristic act violates of public order and morals; or
  - (v) a civil juristic act with malicious collusion to damage the interest of a third party, etc;
- (c) each of the Contractual Arrangements is binding on the parties thereto;
- (d) none of the Contractual Arrangements violates any provisions of the articles of association of our WFOE or the Consolidated Affiliated Entities;
- (e) 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 the WFOE or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Beijing Changxing is subject to the approvals of and/or registration with the PRC regulatory authorities;
  - (ii) any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with local administration bureau for industry and commerce; and
  - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and
- (f) each of the Contractual Arrangements is valid, legal and binding under PRC laws and regulations, except for the following provisions regarding dispute resolution: the Contractual Arrangements provide that any dispute shall be submitted to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entities) shall also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, our PRC legal advisors have advised that an arbitration tribunal has no power to grant injunctive relief nor will it be able to order the winding up order of companies under the PRC laws, and that interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands are subject to recognition and enforcement by PRC courts according to the applicable laws and regulations.

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## CONTRACTUAL ARRANGEMENTS

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Our PRC legal advisors have advised us that based on the Consultation, adoption of the Contractual Arrangements is not prohibited by currently effective PRC laws or regulations, and thus the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. As such, our PRC legal advisors are of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Based on the above analysis and advice from our PRC legal advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. See “Risk Factors—Risks Relating to Our Contractual Arrangements.”

We are aware of a Supreme People’s Court ruling (the “Supreme People’s Court Ruling”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravened the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law and in Article 58 of the General Provisions of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (1) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (2) the incentive for shareholders of Beijing Changxing under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (1) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (2) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (3) the contract damages the public interest; (4) an illegitimate purpose is concealed under the guise of legitimate acts; or (5) the contract violates the mandatory provisions of the laws and administrative regulations. Furthermore, the PRC Civil Code came into effect on January 1, 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law was repealed simultaneously. The PRC Civil Code no longer specifies “concealing illegal intentions with a lawful form” as the statutory circumstance of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including the following circumstances: (1) a civil juristic act performed by a person having no capacity for civil conducts; (2) a civil juristic act performed by the actor and the counterparty based on false expression of intention; (3) a civil juristic act violates the mandatory provisions of laws and administrative regulations; (4) a civil juristic act violates of public order and morals; or (5) a civil juristic act with malicious collusion to damage the interest of a third party, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. Our PRC legal advisors are of the view that the relevant terms of our Contractual Arrangements do not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code.

However, our PRC legal advisors also advised that as these laws, rules and regulations are subject to further implementation and interpretation, there can be no assurance that the relevant PRC government would ultimately take a view that is consistent with the above opinion of our PRC legal advisors.

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## CONTRACTUAL ARRANGEMENTS

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### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by the WFOE, Beijing Changxing shall pay service fees to the WFOE. The service fees shall equal 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of such enterprises in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders, as the WFOE’s prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fees under the Exclusive Business Cooperation Agreement, such income, profit distribution or dividend to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws and regulations.

As a result of the Contractual Arrangements between the WFOE, Beijing Changxing and the Registered Shareholders, the WFOE is able to effectively control, recognize and receive all the economic benefit (after deduction of any accumulated deficit of the Consolidated Affiliated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions) 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 2 to the Accountants’ Report set out in Appendix I.

### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

#### Background of the FIL

On March 15, 2019, the second meeting of the 13th National People’s Congress of PRC approved the PRC Foreign Investment Law (中華人民共和國外商投資法) (the “FIL”) which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例), which came into effect on January 1, 2020. The FIL replaced the PRC Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC to become the legal foundation for foreign investment in the PRC. The FIL stipulates three specific forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.



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## CONTRACTUAL ARRANGEMENTS

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

The FIL specifically stipulates three specific forms of foreign investment, namely, (1) establishment of a foreign invested enterprise in the PRC by a foreign investor, either individually or collectively with any other investor; (2) obtaining shares, equity interests, assets, interests or any other similar rights or interests of an enterprise in the PRC by a foreign investor; and (3) investment in any new construction project in the PRC by a foreign investor, either individually or collectively with any other investor.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC legal advisors, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements have been issued and enacted, the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of our Company’s Contractual Arrangements. Notwithstanding the above, the FIL stipulates that foreign investment includes “foreign investors invest through any other methods under laws, administrative regulations or provisions prescribed by the State Council.” Therefore, further clarification and elaboration are needed regarding whether future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, whether our 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. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [REDACTED] of our Shares. See “Risk Factors—Risks Relating to Our Contractual Arrangements.” Our Company will disclose, as soon as possible, updates of changes to the FIL that will materially and adversely affect our Company as and when occur.

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