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PRC REGULATORY BACKGROUND

Background

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which was promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Negative List sets forth the industries in which foreign investment is restricted or prohibited.

As advised by our PRC Legal Advisor, a summary of our business/operation that is subject to foreign investment restriction in accordance with the Negative List, other applicable PRC laws and consultations with relevant governmental authorities is set out below (the “**Relevant Business**”):

Categories	Our business/operation
“Prohibited”	
On-ground mobile surveying	<p>Our Group is engaged in, among other things, the provision of Robotaxi services and technology services. In the provision of Robotaxi services and technology services, we collect, store, transmit and process surveying and mapping geographic information data such as spatial coordinates, images, point clouds and their property information generated during the operation, service, and road testing of Robotaxi. These activities are classified as geographic information system engineering and internet map services.</p> <p>According to the Negative List, on-ground mobile surveying under the geographic information system engineering is classified as “prohibited” business. Foreign investors are prohibited from holding any equity interest in any enterprise conducting such business.</p>

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To comply with PRC laws and regulations, our Company provides Robotaxi services through Qichen Technology, one of our Consolidated Affiliated Entities, which is required to hold, and has obtained, a Surveying and Mapping Qualification Certificate (測繪資質證書) (Category B mapping qualifications for geographic information system engineering and internet map services).

In view of the aforementioned PRC regulatory background, Qichen Technology consulted the Department of Natural Resources of Guangdong Province (the “DNRG”) by way of written submission, and the DNRG responded in writing in July 2023. Based on the consultation, on-ground mobile surveying is prohibited from foreign investment under applicable PRC laws, and the Contractual Arrangements do not require the DNRG’s approval. Our PRC Legal Advisor is of the view that the DNRG is the competent authority to provide the foregoing confirmations.

“Restricted”

Value-added telecommunications services

Our Group is engaged in, among others, the operation of an online store for its users to purchase certain coupons and special offers (the “**Online Store**”) and the provision of value-added services such as allowing users to view popular pick-up and drop-off locations and other additional functions in our app (the “**Value-added Services**”).

The Online Store and the Value-added Services constitute commercial value-added telecommunications service business under the Classified Catalogue of Telecommunications Services (《電信業務分類目錄》). Therefore, we are required to hold, and have obtained, a Value-added Telecommunication Services Business Operation License (增值電信業務經營許可證) (the “**ICP License**”) under the applicable PRC laws and regulations.

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According to the Negative List and other applicable PRC laws and regulations, provision of value-added telecommunication services business (including commercial internet content provision services) is a “restricted” business, and foreign investors are not allowed to hold more than 50% of the equity interest in enterprises conducting such business (excluding electronic commerce, domestic multi-party communication, storage-forwarding and call center).

To comply with PRC laws and regulations, our Company provides the Online Store and Value-added Services through Qichen Technology, one of our Consolidated Affiliated Entities, which is required to hold, and has obtained the ICP License.

In view of the aforementioned PRC regulatory background, Qichen Technology consulted Guangdong Communications Administration (the “GCA”) by way of written submission, and GCA responded in writing in June 2023. Based on the consultation, the Contractual Arrangements do not require the GCA’s approval. Our PRC Legal Advisor is of the view that the GCA is the competent authority to provide the foregoing confirmation.

Apart from “prohibited” and “restricted” businesses above, as advised by our PRC Legal Advisor, our fleet management & services operated by Chenqi Mobility are not subject to any foreign investment restrictions.

The Relevant Businesses

Qichen Technology, one of our Consolidated Affiliated Entities, is principally engaged in providing our mobility services, including ride-hailing, Robotaxi and hitch, technology services, and other services (including, among others, Online Store and Value-added Services) through our online platform.

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Our Company believes that the provision of Robotaxi services can supplement our manned ride-hailing services and is crucial to the future direction of our Group, and that our Robotaxi services and other services provided on our platform, including, among others, Online Store and Value-added Services, are inseparable and inextricably linked to our manned ride-hailing services and other mobility services for the following reasons:

- (a) as the entity operating Robotaxi services must also hold the relevant qualification for the ride-hailing services, our Group engages in a hybrid operation mode combining both manned ride-hailing and Robotaxi services on the same unified online platform. Our mobility services and other services provided on our platform including, among others, Online Store and Value-added Services are provided through our mobile apps and *Weixin* Mini Program using the same back-end management system, having the same user group and adopting the same payment methods;
- (b) both our manned ride-hailing services, Robotaxi services, and services provided on our platform (including, among others, Online Store and Value-added Services) depend on our information, technologies, intellectual property rights, human resources and knowhow, and use the same logic and algorithm technology;
- (c) splitting the Relevant Businesses from our other services and businesses would not be conducive to the maintenance and management of our technology and resources and would incur substantial cost; and
- (d) our Robotaxi services and other services provided on our platform (including, among others, Online Store and Value-added Services) target users from our mobility service platform and aim to provide our users with enhanced and diversified services, which effectively supplement our core mobility services and constitute part of our multi-dimensional mobility service system.

Qichen Technology, being one of our Consolidated Affiliated Entities and the entity that engages in the provision of our mobility services, can provide the resources required for both our conventional ride-hailing services, Robotaxi services, hitch and other services provided on our platform (including, among others, Online Store and Value-added Services). Businesses that are operationally separable and not inextricably linked to our manned ride-hailing services and other services provided on our platform, for example our fleet management & services, are operated by Chenqi Mobility and are not included in the scope of the Contractual Arrangements.

As advised by our PRC Legal Advisor, we cannot hold or acquire any equity interest in our Consolidated Affiliated Entities as, under the Negative List and other applicable PRC laws and regulations, foreign investors are:

- (a) prohibited from holding any equity interest in a PRC enterprise engaging in on-ground mobile surveying business; and

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- (b) restricted from holding more than 50% of the equity interest in a PRC enterprise providing commercial internet information services requiring the ICP License, which are categorized as “value-added telecommunication service business”.

As confirmed by our Company, the relevant Consolidated Affiliated Entities provide commercial internet information, on-ground mobile surveying business and businesses which are not included in the Negative List on the same platform. All these Relevant Businesses form an integral part of the Group’s business and are operated on the same platform, which cannot be separated from one another.

As illustrated above, in order to maintain our business operations in compliance with the applicable PRC laws and regulations, our Company, as a foreign investor under the current regulatory regime, has adopted the Contractual Arrangements, which allow our Company to exercise control over the business operations of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom. Based on the above and the advice of our PRC Legal Advisor, we are of the view that the Contractual Arrangements, which are narrowly tailored, are necessary to enable us to conduct business that is subject to foreign investment restrictions in the PRC.

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Overview

As described above, investment in certain areas of the industries in which our Consolidated Affiliated Entities currently operate is subject to restrictions under current PRC laws and regulations. After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by, the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements entered into between Chenqi Mobility, Qichen Technology and the Registered Shareholders on July 10, 2019 and as amended on August 11, 2023.

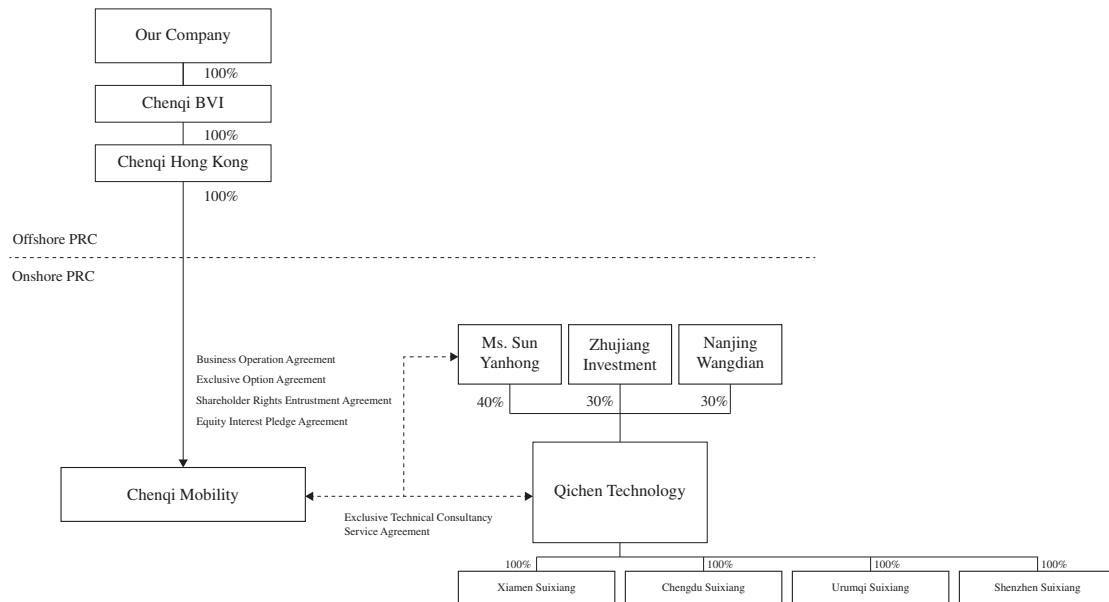
The total revenue of our Consolidated Affiliated Entities accounted for 99%, 91% and 84% of our Group’s total revenue for the years ended December 31, 2021, 2022 and 2023, respectively.

As of the Latest Practicable Date, Qichen Technology is held by Ms. Sun Yanhong (the “**Individual Registered Shareholder**”), Zhujiang Investment and Nanjing Wangdian as to 40%, 30% and 30% of the total shareholding of Qichen Technology, respectively.

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



Notes:

- (1) Qichen Technology is held by Ms. Sun Yanhong, Zhujiang Investment and Nanjing Wangdian, as to 40%, 30% and 30% of the total shareholding of Qichen Technology, respectively.

Ms. Sun Yanhong, a PRC national, is a shareholder as to approximately 20% of the shares in China Drive Investment Limited, a Shareholder of our Company.

Zhujiang Investment is an entity owned as to 99% by Mr. Zhu Weihang. Mr. Zhu Weihang is the sole shareholder of Redmount Investments Limited, a Shareholder of our Company. As confirmed by Zhujiang Investment, its ultimate shareholders are PRC nationals.

Nanjing Wangdian is a subsidiary controlled by Tencent. As confirmed by Nanjing Wangdian, its ultimate registered shareholders are PRC nationals.

- (2) “ \longrightarrow ” denotes direct legal and beneficial ownership in equity interest.
- (3) “ \longleftrightarrow ” denotes contractual relationship.
- (4) As of the Latest Practicable Date, Qichen Technology held the Surveying and Mapping Qualification Certificate (測繪資質證書) (Category B mapping qualifications for geographic information system engineering and internet map services) and the ICP License.
- (5) Xiamen Suixiang, Chengdu Suixiang, Urumqi Suixiang and Shenzhen Suixiang were established in order to effectively manage and efficiently execute local businesses of Qichen Tehcnology in provinces and cities where they were established.

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Circumstances under which we will unwind our Contractual Arrangements

If the Relevant Businesses are no longer prohibited or restricted under the applicable PRC laws and regulations and it is practicable for us to apply for and maintain the applicable licenses for the Relevant Businesses, we will unwind and terminate the Contractual Arrangements as soon as practicable in respect of such Relevant Businesses. In that case, Chenqi Mobility will exercise the call option under the Exclusive Option Agreement (as defined below) to acquire the equity interest in Qichen Technology and unwind the Contractual Arrangements, and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations.

Summary of the Material Terms under the Contractual Arrangements

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

Exclusive Technical Consultancy Service Agreement

Qichen Technology and Chenqi Mobility entered into the exclusive technical consultancy service agreement dated July 10, 2019 and as amended on August 11, 2023 (the “**Exclusive Technical Consultancy Service Agreement**”), pursuant to which Qichen Technology agreed to engage Chenqi Mobility as its exclusive technical consultancy and management service provider, including, but not limited to, technical support, maintenance service, business development and marketing service and management consultancy service, use of intellectual property rights and financial service from time to time.

In consideration of the services provided by Chenqi Mobility, Qichen Technology shall pay service fees to Chenqi Mobility (the “**Service Fees**”). To the extent permitted under applicable PRC laws, the annual Service Fee payable by Qichen Technology to Chenqi Mobility shall be equivalent to the amount of the profit earned by Qichen Technology in the year, after deducting the amount of the necessary costs and expenses required for Qichen Technology’s business operation, taxes, and compensating for Qichen Technology’s losses in previous years (if required under applicable laws) and withdrawal of statutory reserves (if required under applicable laws) (the “**Maximum Amount of the Service Fee**”). Chenqi Mobility shall have the right to adjust the amount of the Service Fee based on the circumstances of the services provided by Chenqi Mobility to Qichen Technology, the operating conditions of Qichen Technology and the developmental needs of Qichen Technology, but the amount of the Service Fee shall not exceed the Maximum Amount of the Service Fee.

Chenqi Mobility shall calculate the fees and issue a corresponding invoice to Qichen Technology every quarter. Qichen Technology must make payment to Chenqi Mobility within ten business days of receiving such invoice.

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In addition, without the prior written consent of Chenqi Mobility, during the term of the Exclusive Technical Consultancy Service Agreement, with respect to the services subject to the Exclusive Technical Consultancy Service Agreement, Qichen Technology shall not establish any cooperative relationship with any third party for the provision of the same or any similar services. Chenqi Mobility may designate other parties to provide services or support under the Exclusive Technical Consultancy Service Agreement to Qichen Technology.

The Exclusive Technical Consultancy Service Agreement took effect on July 10, 2019 and shall remain effective for a term of ten years unless it is terminated by Chenqi Mobility with 30 days’ written notice. The Exclusive Technical Consultancy Service Agreement shall automatically renew for another ten years unless Chenqi Mobility requests not to renew the Exclusive Technical Consultancy Service Agreement one month prior to its expiry date.

Business Operation Agreement

Chenqi Mobility, Qichen Technology and the Registered Shareholders entered into the business operation agreement on July 10, 2019 and as amended on August 11, 2023 (the “**Business Operation Agreement**”), pursuant to which the Registered Shareholders agreed not to require or procure Qichen Technology to conduct any transaction or take any action that may affect Qichen Technology’s assets, business, human resources, obligations and rights without prior written consent of Chenqi Mobility or any third party designated by Chenqi Mobility. Qichen Technology and the Registered Shareholders further agreed that Qichen Technology shall accept any requirements provided by Chenqi Mobility in respect of Qichen Technology’s appointment and resignation of employees and senior management, daily operations, and financial management systems. The Registered Shareholders shall appoint any executive directors, directors or chairman nominated by Chenqi Mobility in accordance with the applicable laws and regulations and the constitutional documents of Qichen Technology. The Registered Shareholders agreed to transfer any dividends or any other income or interests they receive as the shareholders of Qichen Technology immediately and unconditionally to Chenqi Mobility or any third party designated by Chenqi Mobility. Chenqi Mobility is entitled to, at its discretion, dispose of any assets of Qichen Technology without consents from Registered Shareholders.

The Business Operation Agreement took effect on July 10, 2019 and shall remain effective for a term of ten years unless it is terminated by Chenqi Mobility with 30 days’ written notice. The Business Operation Agreement shall automatically renew for ten years unless Chenqi Mobility requests not to renew the Business Operation Agreement one month prior to its expiry date.

Exclusive Option Agreement

Chenqi Mobility, Qichen Technology and the Registered Shareholders entered into the exclusive option agreement dated July 10, 2019 and as amended on August 11, 2023 (the “**Exclusive Option Agreement**”), pursuant to which Chenqi Mobility has the irrevocable and exclusive option to purchase, or designate one or more persons to purchase, from the

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Registered Shareholders all or any part of their equity interest, assets and business in Qichen Technology at any time, as permitted under applicable PRC laws or in accordance with conditions prescribed in the Exclusive Option Agreement. The consideration to exercise the option under the Exclusive Option Agreement is RMB10 million, and Chenqi Mobility shall pre-pay the consideration to Registered Shareholders within six months from the signing of the Exclusive Option Agreement.

In March 2019, each of Ms. Sun Yanhong, Zhujiang Investment and Nanjing Wangdian has contributed an aggregate amount of RMB10 million to the registered capital of Qichen Technology, which should have been contributed by Chenqi Mobility. Therefore, under the Exclusive Option Agreement, Chenqi Mobility agreed to pre-pay the RMB10 million as the consideration for the exercise of the purchase option to the Registered Shareholders; and the Registered Shareholders agreed that Chenqi Mobility is not required to pay any further consideration to each of the Registered Shareholders. The prepayment of RMB10 million has been paid by Chenqi Mobility to the Registered Shareholders on September 12, 2019. Further, the Registered Shareholders have undertaken to return to Chenqi Mobility consideration they receive in excess of RMB10 million within one month after Chenqi Mobility exercises the option under the Exclusive Option Agreement.

The Registered Shareholders, among other things, have covenanted that:

- (a) without the prior written consent of Chenqi Mobility, they shall not in any manner supplement, change or amend the constitutional document of Qichen Technology, increase or decrease its registered capital, or change the structure of its registered capital in any other manner;
- (b) without the prior written consent of Chenqi Mobility, they shall not, at any time following the date when the Exclusive Option Agreement came into effect, sell, transfer, pledge or dispose of in any manner any material assets, business, legitimate or beneficial interest in the income of Qichen Technology, or permit the creation of any other security interest thereon;
- (c) without the prior written consent of Chenqi Mobility, Qichen Technology shall not incur, inherit, guarantee or allow any debt to exist, except for payables incurred in the normal or ordinary course of business not generated from loans;
- (d) without the prior written consent of Chenqi Mobility, Qichen Technology shall not merge, consolidate with, acquire or invest in any third party; and
- (e) unless otherwise mandatorily required by PRC laws, Qichen Technology shall not be dissolved or liquidated without prior written consent by Chenqi Mobility.

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The Registered Shareholders, among other things, have further covenanted that:

- (a) they have irrevocably and exclusively granted the option to purchase all or part of the shares of Qichen Technology owned by each of the Registered Shareholder at the time (the "**Option**") to Chenqi Mobility and will not in any other manner grant the Option or other similar rights to any party other than Chenqi Mobility or its designated third party;
- (b) they have received full consideration and compensation from Chenqi Mobility as prescribed under the Exclusive Option Agreement. If the consideration received by the Registered Shareholders from Chenqi Mobility or its designated third party exceeds the exercise price agreed in the Exclusive Option Agreement as a result of the exercise of the Option, they shall immediately gift or transfer such excess amount to Chenqi Mobility or its designated third party at nil consideration and ensure that such gift or transfer shall not incur any obligations to the Registered Shareholders, their creditors, Qichen Technology and its creditors;
- (c) without the prior written consent of Chenqi Mobility, they shall not sell, transfer, pledge or dispose of in any manner any legitimate or beneficial interest of the equity interest of Qichen Technology held by them, or allow any security interest to be placed on it, except for the pledge or interest to be placed pursuant to the Equity Interest Pledge Agreement (as defined below);
- (d) without Chenqi Mobility's prior written consent, the Registered Shareholders shall not procure the shareholders and/or the board of directors, or executive directors, as the case may be, of Qichen Technology to approve to sell, transfer, pledge, or dispose in any other manner of any legitimate or beneficial interest of the equity interest of Qichen Technology held by the Registered Shareholders or to allow any other security interest to be placed on Qichen Technology, except for the pledge or interest to be placed pursuant to the Equity Interest Pledge Agreement (as defined below);
- (e) without Chenqi Mobility's prior written consent, the Registered Shareholders shall not procure the shareholders and/or the board of directors, or executive directors, as the case may be, of Qichen Technology to approve Qichen Technology to merge, consolidate with, acquire or invest in any third party;
- (f) they shall immediately notify Chenqi Mobility of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Qichen Technology's equity interest held by them;
- (g) they shall execute all necessary or appropriate documents to maintain the ownership of their equity interest in Qichen Technology, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary or appropriate defenses against all claims;

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- (h) they waive all of their right of first refusal relating to the transfer of their equity interest in Qichen Technology to Chenqi Mobility (if any), give consent to the execution of the Contractual Arrangements entered into by the other Registered Shareholders, Chenqi Mobility and Qichen Technology, and undertake that they will not take any action in conflict with such documents executed by other Registered Shareholders; and
- (i) the provisions of the Exclusive Option Agreement shall continue to be legally binding on the successors of the Registered Shareholders or any other successors of the Registered Shareholders notwithstanding any future change in the Registered Shareholders and their proportionate shareholding in Qichen Technology for any agreed or statutory reason (including, but not limited to, bankruptcy, divorce, death, etc.) as if such persons were parties to the Exclusive Option Agreement.

The Exclusive Option Agreement took effect on July 10, 2019 and shall remain effective until all of Qichen Technology’s equity interests or assets have been transferred to Chenqi Mobility or its designated person(s) unless Chenqi Mobility terminates the Exclusive Option Agreement in advance.

Shareholder Rights Entrustment Agreement

The Registered Shareholders have executed a shareholder rights entrustment agreement dated July 10, 2019 and as amended on August 11, 2023 (the “**Shareholder Rights Entrustment Agreement**”). Under the Shareholder Rights Entrustment Agreement, the Registered Shareholders irrevocably appointed Chenqi Mobility and its designated person(s) (including, but not limited to, the parent companies of Chenqi Mobility, the directors and successors of the parent companies of Chenqi Mobility (including our Directors), and the liquidators [REDACTED] such directors, but excluding any person who may give rise to conflicts of interest) as their attorneys-in-fact to exercise for their behalf any and all rights that they have as the shareholders of Qichen Technology, including, among others:

- (a) to attend shareholders’ meetings of Qichen Technology;
- (b) to exercise shareholders’ voting rights on all matters requiring discussion and resolution at general meetings, including, but not limited to, appointing or electing senior managers, including directors, supervisors, general manager, deputy general manager, chief financial officer, etc., resolving to dissolve Qichen Technology and to distribute the remaining assets of Qichen Technology;
- (c) to propose to convene extraordinary shareholders’ meetings;
- (d) to execute any and all shareholder meeting minutes, resolutions and other legal documents;

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- (e) to exercise any other shareholders’ rights and shareholders’ voting rights as prescribed in the constitutional document of Qichen Technology in its present form or as amended from time to time;
- (f) to handle procedures of registration of Qichen Technology or registration of changes at the industrial and commercial administrative department or any other department in charge of company registration and to execute relevant legal documents;
- (g) to decide to sell, transfer, pledge or dispose of the shares held by the Registered Shareholders in any other form; and
- (h) to receive any dividends or any other income or interests or any proceeds of liquidation (in whatever specific form) the Registered Shareholders receive as the shareholders of Qichen Technology;
- (i) other rights of shareholder as provided for in other applicable PRC laws and regulations and the articles of association of Qichen Technology (as amended from time to time).

The Shareholder Rights Entrustment Agreement took effect on July 10, 2019 and shall remain effective for the entire operating period of Qichen Technology and for such period as may be renewed in accordance with the laws of the PRC. The Shareholder Rights Entrustment Agreement shall automatically terminate when Chenqi Mobility has fully exercised its rights as prescribed in the Exclusive Option Agreement to purchase all of Qichen Technology’s assets or equity interests.

Equity Interest Pledge Agreement

Chenqi Mobility, Qichen Technology and the Registered Shareholders entered into the equity interest pledge agreement dated July 10, 2019 as amended on August 11, 2023 (the “**Equity Interest Pledge Agreement**”), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interest in Qichen Technology that they own as a security interest to guarantee the performance of their obligations under the Contractual Arrangements and the payment of all of the indebtedness under the Contractual Arrangements (the “**Secured Indebtedness**”).

The Equity Interest Pledge Agreement took effect on July 10, 2019 and the pledges under the Equity Interest Pledge Agreement were registered on July 24, 2019. The pledges under the Equity Interest Pledge Agreement shall remain effective until all the contractual obligations under the Contractual Arrangements have been fulfilled, expired or terminated and Qichen Technology and the Registered Shareholders have performed all of their obligations under the Contractual Arrangements, whichever is later (the “**Pledge Period**”). During the Pledge Period, Chenqi Mobility is entitled to receive any dividends or other distributable benefits arising from the pledged equity interests in Qichen Technology.

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Upon the occurrence of an event of default as stipulated in the Equity Pledge Agreement and the Registered Shareholders or Qichen Technology have not rectified such event of default or have not taken any necessary remedial actions within ten days after Chenqi Mobility delivers a notice of default to the Registered Shareholders, Chenqi Mobility shall have the right to exercise all such rights as a secured party under the Equity Interest Pledge Agreement and any applicable PRC laws, including, without limitation, being paid in priority with the pledged equity interests based on the monetary valuation that the pledged equity interest is converted into or from the proceeds from auction or sale of the pledged equity interest. Chenqi Mobility shall not be liable for any loss arising from the reasonable exercise of such rights and powers.

Spouse undertaking

The spouse of the Individual Registered Shareholder has signed an undertaking to the effect that (i) the shares of Qichen Technology held by the Individual Registered Shareholder and any other interests therefrom do not fall within the scope of communal properties; (ii) the spouse waives any rights or interests that may be granted to him in respect of equity interests in or assets of Qichen Technology, and the spouse undertakes not to claim such rights or interests; (iii) no authorization or consent of him is required for performance, modification or termination of the Contractual Arrangements or execution of other documents in place of any agreements under the Contractual Arrangements; (iv) the spouse will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements; (v) the spouse will be bound by the Contractual Arrangements and will perform the obligations as the Individual Registered Shareholder thereunder if the spouse, for any reason, acquires any equity interest in Qichen Technology, and will enter into relevant written documents in the same form and substance as the Contractual Arrangements.

Other key terms under the Contractual Arrangements

Dispute Resolution

Each of the agreements under our 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 and the parties under the relevant agreement are unable to agree on the settlement of the relevant dispute within 30 days of such dispute arising, the relevant dispute shall be submitted to the Guangzhou Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The seat of arbitration shall be in Guangzhou and the language of the arbitration shall be Chinese. The arbitration award shall be final and binding on the parties to the relevant agreement under the Contractual Arrangements.

The dispute resolution provision under each of our Contractual Arrangements also provides that to the extent permitted by PRC law: (i) the arbitral tribunal may award remedies over the equity interests, assets, property interests, land assets or the actual performance of contractual obligations of Qichen Technology and its subsidiaries or injunctive relief (including, but not limited to, measures to effect the conduct of business or compulsory transfer

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of assets) or order the winding up of Qichen Technology and its subsidiaries; (ii) a court of competent jurisdiction may grant interim relief to a party when requested during the time of waiting for the formation of the arbitral tribunal or under other appropriate circumstances permitted by law for the purpose of preserving the assets and property or enforcement measures; and (iii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), places of incorporation of our Consolidated Affiliated Entities, and places where the principal assets of our Consolidated Affiliated Entities are located also have jurisdiction over the foregoing matters.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisor that:

- (a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our Consolidated Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our Consolidated Affiliated Entities, injunctive relief or winding-up of our Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration;
- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in our Consolidated Affiliated Entities at the request of the arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;
- (d) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event that we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and
- (e) even if the aforementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that our Consolidated Affiliated Entities 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 Corporate Structure” for further details.

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Loss sharing

Under the relevant PRC laws and regulations, none of our Company and Chenqi Mobility is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, Qichen Technology is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Chenqi Mobility 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 a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of Chenqi Mobility, Qichen Technology shall not: (i) supplement, alter or amend its constitutional documents, increase or reduce its registered capital or otherwise alter its registered capital structure; (ii) sell, assign, mortgage or otherwise transfer any of its material assets, business or legal or beneficial interest in income, or permit any other security interest to be created therein; (iii) incur, inherit, guarantee or allow any debt to exist, except for payables incurred in the normal or ordinary course of business not generated from loans; (iv) merge, consolidate with, acquire or invest in any third party; and (v) be dissolved or liquidated.

Therefore, due to the relevant restrictive provisions in the Contractual Arrangements, the potential adverse effect on Chenqi Mobility and our Company in the event of any loss suffered from our Consolidated Affiliated Entities can be limited to a certain extent.

Conflict of interests

The Registered Shareholders have given their irrevocable undertakings in the Shareholder Rights Entrustment Agreement which address potential conflicts of interest that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “— Shareholder Rights Entrustment Agreement” above.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the Civil Code of the PRC (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents. In the event of a breach, Chenqi Mobility can enforce its rights against the successors. Pursuant to the Contractual Arrangements, the Contractual Arrangements shall be binding on the legal successors and assignees of the Registered Shareholders.

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Liquidation

Pursuant to the Equity Interest Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws upon the request of Qichen Technology, the Registered Shareholders shall transfer the proceeds they received from liquidation to the account designated by Chenqi Mobility under the management of Chenqi Mobility, or give such proceeds as a gift to Chenqi Mobility or the party/parties designated by Chenqi Mobility to the extent permitted by the PRC laws.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and Contractual Arrangements. See “Risk Factors – Risks Relating to Our Corporate Structure” for further details. 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 had not purchased any insurance to cover the risks relating to our Contractual Arrangements.

Protection in the event of death, divorce, bankruptcy, winding up or liquidation of the Registered Shareholders

Pursuant to the Business Operation Agreement, the Registered Shareholders have undertaken that the provision of the Business Operation Agreement shall continue to be legally binding on the Registered Shareholders’ heirs or any other successors of the Registered Shareholders, regardless of any changes in the Registered Shareholders and in their respective shareholding percentages in Qichen Technology in the future due to any contractual or statutory reasons, including but not limited to liquidation, insolvency, divorce and death. The provisions of the Business Operation Agreement shall be applicable to such heirs or successors who hold the shares of Qichen Technology at that time as if they were the signatories to the Business Operation Agreement. Further, the Registered Shareholders have pledged all of their respective equity interest in Qichen Technology that they own as a security interest to guarantee the performance of their obligations under the Contractual Arrangements pursuant to the Equity Interest Pledge Agreement, which effectively mitigates the risk of leakage of assets and economic benefits of the Consolidated Affiliated Entities to the Registered Shareholders.

Our confirmation

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

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above and the advice of our PRC Legal Advisor in relation to the PRC regulatory regime with respect to the Contractual Arrangements mentioned in this Document, we believe that the Contractual Arrangements are designed to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisor has advised that upon the execution of the Contractual Arrangements:

- (a) each of Chenqi Mobility and Qichen Technology is a duly incorporated and validly existing company and their respective establishment is valid, effective and complies with the relevant PRC laws;
- (b) each of the parties to each of the agreements under the Contractual Arrangements has obtained all necessary approvals and authorizations to execute the agreements under the Contractual Arrangements and perform their respective obligations thereunder;
- (c) each of the agreements under the Contractual Arrangements is binding on the parties thereto and none of them is void or may become invalid pursuant to the Civil Code of the PRC (《中華人民共和國民法典》);
- (d) none of the Contractual Arrangements violates any provisions of the articles of association of Qichen Technology or Chenqi Mobility;
- (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:
 - a. the exercise of the option by Chenqi Mobility or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Qichen Technology is subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
 - b. the equity pledges contemplated under the Equity Interest Pledge Agreement are subject to the registration with the relevant state or local administration bureau for market regulation; and
 - c. the arbitration awards/interim remedies provided under the dispute resolution provision of our Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (f) the Contractual Arrangement as a whole and each of the Contractual Arrangements is valid, legal and binding under PRC laws except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Qichen Technology, injunctive relief and/or winding up of Qichen Technology, and that courts of competent jurisdictions are empowered to grant interim remedies in

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support of the arbitration pending the formation of an arbitral tribunal. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. For further details, see “— Other key terms under the Contractual Arrangements – Dispute Resolution.”

However, we have been advised by our PRC Legal Advisor that we may face uncertainties regarding the interpretation and application of the Foreign Investment Law and its implementation regulations, as well as other current and future PRC laws and regulations in relation to the Contractual Arrangements. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisor.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. For further details, see the section headed “Risk Factors – Risks relating to our Corporate Structure” and “Risk Factors – Risks relating to Doing Business in China” of this Document.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of Consolidated Affiliated Entities

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements as disclosed above enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Technical Consultancy Agreement, it was agreed that, in consideration of the services provided by Chenqi Mobility, Qichen Technology will pay the Service Fees to Chenqi Mobility. To the extent permitted under applicable PRC laws, the annual Service Fee payable by Qichen Technology to Chenqi Mobility shall be equivalent to the amount of the profit earned by Qichen Technology in the year, after deducting the amount of the necessary costs and expenses required for Qichen Technology’s business operation, taxes, and compensating for Qichen Technology’s losses in previous years (if required under applicable laws) and withdrawal of statutory reserves (if required under applicable laws). Chenqi Mobility may adjust the service fees at its discretion, subject to applicable rules and regulations, and allow Qichen Technology to retain sufficient working capital to carry out any growth plans. Chenqi Mobility also has the right to periodically receive or inspect the accounts of Qichen Technology. Accordingly, Chenqi Mobility has the ability, at its sole discretion, to extract substantially all of the economic benefit of Qichen Technology through the Exclusive Technical Consultancy Agreement.

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In addition, under the Shareholder Rights Entrustment Agreement, Chenqi Mobility has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Qichen Technology as Chenqi Mobility is the attorney-in-fact, for and on behalf of the Registered Shareholders, to exercise relevant voting rights. Further, under the Equity Interest Pledge Agreement, Chenqi Mobility is entitled to receive any profit distribution or other distributable benefits arising from the pledged equity interests in Qichen Technology. Under the Business Operation Agreement, the Registered Shareholders agreed to transfer any dividends or any other income or interests they receive as the shareholders of Qichen Technology immediately and unconditionally to Chenqi Mobility or the third party designated by Chenqi Mobility.

As a result of these Contractual Arrangements, our Company exercises control over our Consolidated Affiliated Entities and can receive substantially all of its economic benefits and residual returns. Accordingly, our Consolidated Affiliated Entities are accounted for as subsidiaries of our Company and their results of operations, assets and liabilities and cash flows are consolidated into our Group’s financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 2(c) to the Accountants’ Report in Appendix I to this Document.

OUR DIRECTORS’ VIEW

Based on the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct business in industries that are subject to foreign investment restrictions in the PRC and minimize the potential conflict with relevant PRC laws and regulations to the maximum extent. Our Directors further believe that the Contractual Arrangements are fair and reasonable, taking into account (i) the Contractual Arrangements are negotiated on an arm’s-length basis and entered into between Chenqi Mobility, Qichen Technology and the Registered Shareholders; (ii) by entering into the Exclusive Technical Consultancy Service Agreement with Chenqi Mobility, which is a PRC subsidiary of our Company, our Consolidated Affiliated Entities 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 contractual arrangements to achieve the same purpose.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law (《外商投資法》) (the “**Foreign Investment Law**”) which became effective on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprises Law (《外資企業法》) to become the legal foundation for foreign investment in the PRC. It is formulated to further expand opening-up, vigorously promote foreign investment and protect

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the legitimate interests and rights of foreign investors. According to the Foreign Investment Law, China adopts a system of national treatment together with the Negative List with respect to foreign investment administration, and the Negative List will be issued by, amended or released upon approval by the State Council, from time to time. The Negative List sets out the industries in which foreign investments are prohibited or restricted. Foreign investors would not be allowed to make investments in prohibited industries, while foreign investment must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the Negative List shall be treated equally. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”), which came into effect on January 1, 2020.

As advised by our PRC Legal Advisor, the Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment, and the Implementation Regulations are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of our Consolidated Affiliated Entities, by Chenqi Mobility, through which we operate our business in the PRC.

As advised by our PRC Legal Advisor, since contractual arrangements are not explicitly specified as a form of foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties, except that, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements will not be materially and adversely affected in the future due to changes in PRC laws and regulations. For further details, see “— Legality of the Contractual Arrangements” above.

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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:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory inquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of, and compliance with, the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports;
- (4) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and review the legal compliance of Chenqi Mobility and Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements; and
- (5) the company seals of Qichen Technology shall be safely kept at a place where only designated key employees of the Company can have access, whilst the Registered Shareholders shall have no right to use such seals.