

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We engage in the business of providing sales of in-vehicle hardware products and SaaS marketing and management services covering SaaS subscription services and SaaS value-added services. Under the PRC laws and regulations, (a) our SCRM system, which forms part of our SaaS marketing and management services, requires us to possess the value-added telecommunications business licence, and (b) our in-vehicle hardware products and SaaS subscription services under SaaS marketing and management services that use location-based user data (together the “**Location-based Services**”), require us to possess a licence relating to internet map services. During the Track Record Period, the revenue and gross profit contribution of the businesses of the Consolidated Affiliated Entity, which are subject to foreign investment restrictions under PRC laws, received and divided into different business types, were as follows:

	FY2022				FY2023			
	Revenue		Gross Profit		Revenue		Gross Profit	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
VAT Business	2,757	5.6	1,019	11.0	1,570	3.2	529	3.9
Location-based								
Services	1,889	3.8	698	7.6	2,272	4.6	766	5.6
Sub-total	4,646	9.4	1,717	18.6	3,842	7.8	1,295	9.5
Other Business (Note)	45,012	90.6	7,500	81.4	45,626	92.2	12,404	90.5
Total	49,659	100.0	9,217	100.0	49,468	100.0	13,699	100.0

Note: Other Business refers to other business that does not require value-added telecommunications business licence or a licence relating to Internet map services

To comply with applicable laws and regulations and in line with common practice in companies conducting value-added telecommunication business and business that relates to internet map services (the “**Relevant Businesses**”) in the PRC, we have established the Contractual Arrangements through a series of agreements among Guanglian Shuke, Guanglian Saixun and the Registered Shareholders on 24 March 2023. As such, we operate our Relevant Businesses through our Consolidated Affiliated Entity and also Hanhuaxing Technology, a company that is owned as to 50% by Guanglian Shuke (an indirectly wholly-owned subsidiary of our Company held through equity) and 50% by our Consolidated Affiliated Entity, Guanglian Saixun. See “History, Reorganisation and Corporate Structure” for further information on Guanglian Saixun and Hanhuaxing Technology.

CONTRACTUAL ARRANGEMENTS

We have entered into a series of contractual arrangements with our Consolidated Affiliated Entity and its Registered Shareholders. The existing agreements underlying the Contractual Arrangements include: (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Option Agreement; (iii) the Equity Pledge Agreements; (iv) the Shareholders’ Rights Proxy Agreement; and (v) the Spousal Undertakings. Pursuant to the Contractual Arrangements, all substantial and material business decisions of the Consolidated Affiliated Entity will be instructed and supervised by our Group, through Guanglian Shuke, and all risks arising from the businesses of the Consolidated Affiliated Entity are also effectively borne by our Group as a result of such Consolidated Affiliated Entity being treated as our wholly-owned subsidiary. Accordingly, our Directors consider that it is fair and reasonable for Guanglian Shuke to be entitled to all economic benefits generated by the business operated by the Consolidated Affiliated Entity through the Contractual Arrangements as a whole.

PRC LAWS RELATING TO FOREIGN INVESTMENT RESTRICTIONS

Restrictions on foreign ownership

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**”), which were promulgated and are amended from time to time jointly by MOFCOM and the NDRC. According to the 2021 Negative List and applicable PRC laws and regulations, our Relevant Business involve certain foreign investment prohibited and restricted businesses and require value-added telecommunication business (the “**VAT Business**”) related licenses (the “**ICP Licenses**”). Guanglian Saixun and Hanhuaxing Technology both currently hold the ICP Licenses for conducting our VAT Business. See “Regulatory Overview—Regulations regarded the value-added telecommunications services and Internet content services—Restrictions on Foreign Ownership in Value-Added Telecommunications Services” in this document for details. On 11 December 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 10 September 2008, 6 February 2016 and 29 March 2022, respectively. According to the FITE Regulations, foreign investors are restricted from holding equity interests more than 50% of a company providing value-added telecommunications services, unless otherwise stipulated by the authorities. According to the applicable PRC laws and regulations, our Location-based Services that relate to internet map services involve certain foreign investment restricted and prohibited businesses and require a Class B certificate of surveying and mapping (the “**Class B Certificate**”). Guanglian Saixun currently holds the Class B Certificate for conducting our business that relates to our Location-based Services. See “Regulatory Overview—Regulations regarding the Value-added Telecommunications Services and Internet Content Services—Regulations on Internet Map Services” in this document for details. On 19 January 2007, the Ministry of Natural Resources promulgated the Interim Measures for the Administration of the Surveying

CONTRACTUAL ARRANGEMENTS

and Mapping Conducted by Foreign Organizations or Individuals in China (外國的組織或者個人來華測繪管理暫行辦法), which were amended on 27 April 2011 and 16 July 2019 respectively. According to the Interim Measures for the Administration of the Surveying and Mapping Conducted by Foreign Organizations or Individuals in China, foreign entities shall cooperate or set up a joint venture with the relevant departments or entities of the PRC to conduct surveying and mapping activities in the PRC.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of our Consolidated Affiliated Entity will be instructed and supervised by our Group through Guanglian Shuke, and all risks arising from the business of our Consolidated Affiliated Entity is also effectively borne by our Group as a result of it being treated as our wholly-owned subsidiary. Our Directors consider that it is fair and reasonable for Guanglian Shuke to exercise control over and enjoy all the economic benefits derived from the operations of our Consolidated Affiliated Entity through the Contractual Arrangements as a whole. See “Operation of the Contractual Arrangements” for details of the Contractual Arrangements.

On 29 March 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決定) (the “**2022 Decision**”), which came into effect on 1 May 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 and foreign investors are allowed to directly hold the equity interest in enterprises engaging in value-added telecommunications up to 50%. The FITE Regulations were newly amended by 2022 Decision and it remains uncertain whether the PRC government authorities will further impose additional requirements for foreign investors that invest in a company providing value-added telecommunication services in China in practice. After the Qualification Requirements were abolished in May 2022 as abovementioned, the registered capital of Hanhuaxing Technology was increased from RMB1.0 million to RMB10.0 million, RMB4.0 million of the increased capital were subscribed for by Guanglian Shuke, and RMB5.0 million of which were subscribed for by Guanglian Saixun, after the registered capital increase as abovementioned, Hanhuaxing Technology is held by Guanglian Shuke and Guanglian Saixun as to 50% each.

As advised by our PRC Legal Adviser, based on the current PRC Laws and policy of relevant PRC Government authorities, and as explained and confirmed by the official of the Ministry of Natural Resources of the PRC during verbal interviews, it being the competent authority, and as confirmed by our PRC Legal Adviser, the staff who responded our inquiries during such consultation is the person duly designated by the corresponding department of the Ministry of Natural Resources to handle the related inquiries, the competent authorities will strictly and rigorously review and scrutinise the application of the Class B certificate of surveying and mapping qualification submitted by a sino-foreign equity joint venture on a case-by-case basis; there was currently no

CONTRACTUAL ARRANGEMENTS

sino-foreign equity joint venture having obtained and holding an effective and valid Class B certificate of surveying and mapping; and the application process and requirements would not undergo significant adjustments in the near future. Therefore and on this basis, the Directors are of the view that we are unable to obtain a Class B certificate of surveying and mapping through a sino-foreign equity joint venture or through a company that is wholly foreign-owned. In addition, as at the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of Class B Certificate or our Contractual Arrangements as a whole.

As such, our PRC Legal Adviser advised us that, (1) the foreign investment in the VAT Business and the internet map service is restricted or prohibited under current PRC laws and regulations; (2) the 2022 Decisions removed the Qualification Requirement regarding our VAT Business such that our Company would be able to hold our Consolidated Affiliated Entity directly or indirectly through equity ownership no more than 50%; and (3) it is unable to obtain a Class B Certificate through a sino-foreign equity joint venture or a wholly foreign-owned entity such that our Company would not be able to hold our Consolidated Affiliated Entity directly or indirectly through equity ownership.

DIRECTORS’ VIEWS ON THE CONTRACTUAL ARRANGEMENTS

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company upon [REDACTED]. Our Directors are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the organisational structure and business of our Group, that such transactions have been and will be entered into in our Group’s ordinary and usual course of business, are on normal commercial terms or better and are in the interests of our Company and our shareholders as a whole. Please see “Connected Transactions” in this document for details.

The Directors believe that the use of the Contractual Arrangements is for the primary purpose of ensuring that we comply with the in-force foreign investment restrictions that apply to our business that requires either the ICP Licenses or the Class B Certificate, and to minimise the potential conflict with the relevant PRC laws and regulations and are of the view that the Contractual Arrangements are narrowly tailored.

Our Directors are also of the view that the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our Consolidated Affiliated Entity and also for our Consolidated Affiliated Entity to make investments into companies, which engage in businesses or have plans to engage in businesses that are subject to possessing the Class B Certificate and/or ICP Licenses and/or other licenses, which PRC laws and regulations currently either restrict or prohibit foreign-ownership.

CONTRACTUAL ARRANGEMENTS

Hanhuaxing Technology obtained the New ICP Licence in June 2023. Since then, we have been progressively transferring our VAT Business to Hanhuaxing Technology, and such transfer (other than those that are subject to the subcontracting arrangement as detailed below) has already been completed in September 2023. To further the aim of narrowly tailoring the Contractual Arrangements to cater for foreign ownership restrictions, where the Consolidated Affiliated Entity or its subsidiaries from time-to-time sign contracts that relate to the provision of Internet map services, our Group has adopted the following procedure of subcontracting the portion of such services to entities that are held by the Company through equity:

- for services that require the possession of a Class B Certificate or connected with the services requiring a Class B Certificate, Guanglian Saixun (or other entities that hold a Class B Certificate) will continue to perform them; and
- for other services that do not require or are not connected with the services requiring the possession of the Class B Certificate, such services will be performed by Guanglian Shuke (or its subsidiaries) unless the customers demand Guanglian Saixun to be the direct service provider, and in which case such portion of the restricted business will be conducted through a subcontracting arrangement. The sub-contracting arrangement, which will take effect upon the [REDACTED], will specify that Guanglian Saixun (as the contracting party to the contracts that are not yet transferred to Hanhuaxing Technology), will only operate the part of the services requiring the possession of a Class B Certificate or forms an integral part of such services requiring a Class B Certificate, and all other business would (to the extent practicable) be divided into discrete work packages and would be subcontracted to Hanhuaxing Technology (where such portion of the business requires the possession of one or more licences that is subject to a maximum foreign ownership of 50%) and Guanglian Shuke or its other equity held subsidiaries (where such portion of the services does not require the possession of any licence that would be subject to foreign ownership restrictions).

The Directors confirm that such arrangement will continue to apply to all contracts that Guanglian Saixun has entered into with external customers and not yet expired. Through this arrangement, Hanhuaxing Technology (which is 50% owned by our Consolidated Affiliated Entity and 50% owned by Guanglian Shuke) will become the entity that carries on the VAT Business, and Guanglian Shuke (or its subsidiaries) will be performing businesses that are not subject to foreign ownership restrictions in the PRC.

The Company has put in place the above arrangement because in a limited number of cases, the Group has faced genuine difficulties in seeking to transfer the VAT business to Hanhuaxing Technology from Guanglian Saixun for contracts with certain of the Group’s customers (the “**Continuing Contracts**”), which arose due to these ongoing contracts being within their validity periods and based on the experience of the Directors, it would be difficult to transfer the Continuing Contracts during their validity periods. The

CONTRACTUAL ARRANGEMENTS

Directors are of the view that if these Continuing Contracts are pre-maturely and unilaterally terminated by our Group, such action would damage the commercial relationship between the Group and the relevant customers and harm the Group’s brand, and furthermore, Hanhuaxing Technology may not be able to successfully obtain the re-awarded contract (if the Group is invited to tender for these contracts at all). The last of the Continuing Contracts will expire by April 2025 and the Group will adhere to the above principles in allocating its business that may be subject to foreign ownership restrictions prior to April 2025.

However, the proportion of revenue to be recognised from the contracts facing difficulties in terms of transferring from Guanglian Saixun to Guanglian Shuke is expected to be less than 6% of the total revenue of the Group in each year after the [REDACTED] and until the expiry of the relevant contracts involved, which the Directors consider to be insignificant and will be decreasing over time (i.e. for the year ending 31 December 2024, approximately 5.50% and for the year ending 31 December 2025, approximately 1.55%) as the Continuing Contracts expire in between December 2023 and April 2025. Subsequent to the expiration of the Continuing Contracts in or before April 2025, the Group will terminate the subcontracting arrangement to entities that are held by the Company through equity, and will adhere to the above principles in allocating its business that may be subject to foreign ownership restrictions. Save and except the Continuing Contracts, the Group will not enter into any new sub-contracting arrangements to perform businesses that are subject to foreign ownership restrictions in the PRC. All of the Group’s VAT Business will be conducted by Hanhuaxing Technology after April 2025.

After the [REDACTED], where the Group enters into contract with customers, the work contents of which do not involve any activities that are subject to foreign ownership restrictions, such contracts will be entered into by entities within the Group that are not a Consolidated Affiliated Entity.

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating businesses that are subject to foreign investment restrictions through our Consolidated Affiliated Entity under the Contractual Arrangements.

On the basis of the above and confirmations that we had received from our PRC Legal Adviser (as more particularly described below), our Directors are of the view that the agreements under the Contractual Arrangements, which confer significant control and economic benefits from the Consolidated Affiliated Entity to Guanglian Shuke are enforceable under the PRC laws and regulations, except for the arbitration provisions as disclosed in the paragraph “Summary of Material Terms of the Contractual Arrangements—Dispute Resolution” in this section.

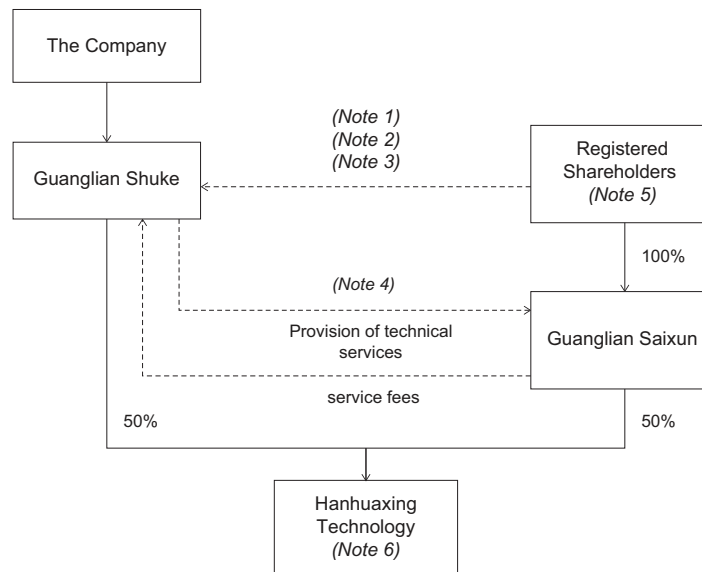
CONTRACTUAL ARRANGEMENTS

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 reorganising our corporate structure, if required in the future. See “Risk Factors—Risks relating to our corporate structure and contractual arrangements” for details. Nevertheless, we will terminate the Contractual Arrangements to the extent permissible and practicable and directly hold the maximum percentage of equity interest permissible under applicable laws and regulations if the relevant government authority grants the Class B Certificate to a sino-foreign equity joint venture or a whole foreign-owned entity held by us.

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

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

- (1) Irrevocable appointment as attorney-in-fact to exercise all shareholders’ rights in Guanglian Saixun *(Note 1)*
- (2) Exclusive option to acquire all or part of the equity interest in and/or assets of Guanglian Saixun *(Note 2)*
- (3) First priority security interest over the entire equity interest in Guanglian Saixun *(Note 3)*



“→” denotes direct legal and beneficial ownership in the equity interest

“- ->” denotes contractual relationship

CONTRACTUAL ARRANGEMENTS

Notes:

- (1) Please see “Summary of Material Terms of the Contractual Arrangements—Shareholders’ Rights Proxy Agreement” for details.
- (2) Please see “Summary of Material Terms of the Contractual Arrangements—Exclusive Option Agreement” for details.
- (3) Please see “Summary of Material Terms of the Contractual Arrangements—Equity Pledge Agreements” for details.
- (4) Please see “Summary of Material Terms of the Contractual Arrangements—Exclusive Business Cooperation Agreement” for details.
- (5) As at the Latest Practicable Date, the Registered Shareholders were Zhenghe Futong, Xinjiang Rongying, Shanghai Xiangru and Mr. Zhao who held 41.47%, 39.68%, 16.34% and 2.51% of Guanglian Saixun, respectively.
- (6) Hanhuaxing Technology holds the ICP License and is a subsidiary of our Company.

SUMMARY OF MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

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

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement dated 24 March 2023, entered into by and between Guanglian Shuke and Guanglian Saixun (the “**Exclusive Business Cooperation Agreement**”), Guanglian Shuke has the exclusive right to provide, or designate any third party to provide Guanglian Saixun with business support, technical services and consulting services. Such services shall include without limitation:

- (1) authorising the use of the relevant software legally owned by Guanglian Shuke that is required for Guanglian Saixun’s business, as well as the provision of technology application and implementation services to Guanglian Saixun, including but not limited to the overall design, installation, fine-tuning and operation of its system(s);
- (2) providing research, development, maintenance and update of relevant technologies and software required for Guanglian Saixun’s business, including the development, design and production of database software, user interface software and other related technologies, and licensing such software and technologies to Guanglian Saixun;

CONTRACTUAL ARRANGEMENTS

- (3) consultation services in relation to the procurement of equipment, hardware and software of Guanglian Saixun's business, including but not limited to the choice of tools software, application software and technology platforms, the installation and fine-tuning of systems, and advising on the types, models and functions of hardware that may be procured by Guanglian Saixun;
- (4) daily management, maintenance, monitoring, fine-tuning, troubleshooting and updating of Guanglian Saixun's network equipment, hardware and databases, including timely entry of users information into the databases, timely update of the databases based on other business information provided by Guanglian Saixun, regularly update of the user interface and providing other related technical services;
- (5) providing technical training and support to relevant personnel of Guanglian Saixun, including but not limited to providing customer service, technical and other trainings, and sharing knowledge and experience in relation to the installation and operation of the system and equipments to Guanglian Saixun, assisting Guanglian Saixun in solving any matters arising from the installation and operation of its system and equipments, providing Guanglian Saixun with advice and suggestions in respect of other online editing platforms and software application, and assisting Guanglian Saixun in preparing and collecting relevant information;
- (6) assisting Guanglian Saixun in the collection of, and analysis of technical and market data (save and except for such market research which are prohibited by PRC laws to be conducted by wholly-owned foreign companies);
- (7) providing corporate management consultancy;
- (8) providing sales and marketing services; and
- (9) other relevant services as agreed between Guanglian Shuke and Guanglian Saixun from time to time (to the extent permissible under relevant PRC laws).

Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profits of Guanglian Saixun, after deduction of any accumulated deficit, operating costs, expenses, taxes and other statutory contributions of Guanglian Saixun in respect of the preceding financial year(s). Notwithstanding the foregoing, Guanglian Shuke may adjust the rate and amount of service fees as well as the payment time according to the actual operation situation of Guanglian Saixun, and Guanglian Saixun will accept such adjustments unless there is a reasonable reason. Guanglian Shuke shall calculate the service fees regularly and issue a corresponding invoice to Guanglian Saixun. Guanglian Saixun shall make payment to the bank account designated by Guanglian Shuke within three months upon receipt of the invoice.

CONTRACTUAL ARRANGEMENTS

In addition, in the absence of the prior written consent of Guanglian Shuke, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement and other matters, Guanglian Saixun shall not directly or indirectly accept the same or any similar services provided by any third party or establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement with any third party. Guanglian Shuke may appoint other parties to provide Guanglian Saixun with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that (a) Guanglian Shuke has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by itself during the performance of the Exclusive Business Cooperation Agreement; (b) regarding the operation technologies developed by Guanglian Saixun as commissioned by Guanglian Shuke or collectively developed by both Guanglian Saixun and Guanglian Shuke, the ownership and the intellectual property rights in terms of patent application shall belong to Guanglian Shuke, while for those operation technologies independently developed by Guanglian Saixun, the ownership shall belong to Guanglian Saixun on the conditions that (1) Guanglian Saixun shall promptly inform Guanglian Shuke of the details of such technologies and provide the relevant materials as requested by Guanglian Shuke, (2) if Guanglian Saixun plans to grant franchise or transfers such technologies, Guanglian Saixun shall give priority to Guanglian Shuke in terms of the transfer or grant franchise for exclusive use of such technologies to the extent permitted by PRC mandatory requirements. Guanglian Saixun can only transfer the ownership of such technologies or grant franchise to a third party not more favorable than conditions offered to Guanglian Shuke and only if Guanglian Shuke gives up its priority in terms of purchase of ownership of such technologies or its right for exclusive use of such technologies and Guanglian Saixun shall ensure that such transfer or franchise to the third party shall not affect its full compliance with the Exclusive Business Cooperation Agreement and (3) except for (2) mentioned above, Guanglian Shuke is entitled to, during the term of the Exclusive Business Cooperation Agreement, request the purchase of such technologies and Guanglian Saixun shall agree to such request from Guanglian Shuke at the lowest price to the extent permitted by PRC laws.

The validity period of the Exclusive Business Cooperation Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) in accordance with provisions of the Exclusive Business Cooperation Agreement; (b) by a written notice from Guanglian Shuke; (c) all the equity interest and assets of Guanglian Saixun has been legally transferred to Guanglian Shuke or the nominee(s) designated by Guanglian Shuke; or (d) to the extent permissible under the applicable PRC laws that Guanglian Shuke, or its holding companies, could directly or indirectly hold the equity interests of Guanglian Saixun and Guanglian Shuke, its subsidiaries or branches could legally operate the business of Guanglian Saixun, Guanglian Shuke or its holding companies, becomes the sole shareholder of Guanglian Saixun. Upon expiration, the validity period of the Exclusive Business Cooperation Agreement shall be automatically extended for 10 years unless Guanglian Shuke notifies Guanglian Saixun of its intention not to extend.

CONTRACTUAL ARRANGEMENTS

Exclusive Option Agreement

Under the exclusive option agreement dated 24 March 2023, entered into by and among Guanglian Shuke, Mr. Zhu Lei, Mr. Zhu Hui, Mr. Jiang, our Registered Shareholders, the general partners of the Registered Shareholders, and Guanglian Saixun (the “**Exclusive Option Agreement**”), our Registered Shareholders unconditionally and irrevocably agree to grant Guanglian Shuke an exclusive option to purchase all or part of the equity interests in Guanglian Saixun, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Guanglian Shuke or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of Guanglian Saixun.

Guanglian Saixun also unconditionally and irrevocably agreed to grant Guanglian Shuke an exclusive option to purchase all or part of the assets of Guanglian Saixun, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Guanglian Shuke or its designated third party is permitted under PRC laws to acquire all or part of the assets of Guanglian Saixun.

In the event that our Registered Shareholders have the right to receive any purchase price, our Registered Shareholders undertake to return the amount of purchase price they have received to Guanglian Shuke, to the extent permissible under relevant laws.

We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the applicable foreign investment restrictions in relation to the Relevant Businesses will be removed in the future, the likelihood of which we were not in a position to know or comment on as at the Latest Practicable Date. Where such foreign investment restrictions have been relaxed and there exists clear procedures and guidance for our Group to directly hold the maximum permitted interest in the Consolidated Affiliated Entity, our Group will unwind or modify (as the case may be) the Contractual Arrangements such that our Company (or our subsidiary(ies) of which we hold equity interest) will directly hold the maximum percentage of ownership interests permissible of the Consolidated Affiliated Entity under relevant PRC laws and regulations, through either sino-foreign equity joint ventures or wholly-owned foreign investment entities.

To prevent the flow of the assets and value of Guanglian Saixun to their respective shareholders, pursuant to the Exclusive Option Agreement, none of the material assets of Guanglian Saixun are to be sold, transferred or otherwise disposed of without the written consent of Guanglian Shuke. In addition, under the Exclusive Option Agreement, none of our Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or its equity interest in Guanglian Saixun without Guanglian Shuke’s prior written consent.

CONTRACTUAL ARRANGEMENTS

In the event that our Registered Shareholders have the right to receive any profit distribution, dividend or bonus from Guanglian Saixun, our Registered Shareholders undertake to immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Guanglian Shuke (or its designated third party), to the extent permissible under relevant laws. If Guanglian Shuke exercises this option, all or any part of the equity interests in Guanglian Saixun acquired would be transferred to Guanglian Shuke and the benefits of equity ownership would flow to Guanglian Shuke and its shareholders.

Equity Pledge Agreements

Under the equity pledge agreements dated 24 March 2023, entered into by and among Guanglian Shuke, Guanglian Saixun and each of our Registered Shareholders (the “**Equity Pledge Agreements**”), our Registered Shareholders has agreed to pledge all of the equity interests in Guanglian Saixun to Guanglian Shuke in order to guarantee Guanglian Saixun and our Registered Shareholders’ performance of obligations under the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Shareholders’ Rights Proxy Agreement (as defined below).

Under the Equity Pledge Agreements, each of our Registered Shareholders has agreed that, without prior written consent of Guanglian Shuke, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Guanglian Shuke’s interest.

The pledges in respect of Guanglian Saixun take effect upon completion of registration with the relevant administration for market regulation and shall remain valid until the satisfaction of all contractual obligations of Guanglian Saixun and the Registered Shareholders in full.

Our PRC Legal Adviser has confirmed that the equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws.

Shareholders’ Rights Proxy Agreement

Under the shareholders’ rights proxy agreement dated 24 March 2023, entered into by and among Guanglian Shuke, Guanglian Saixun and our Registered Shareholders (the “**Shareholders’ Rights Proxy Agreement**”), the Registered Shareholders irrevocably appointed Guanglian Shuke or its designated person, as their attorney-in-fact to exercise such shareholder’s rights in Guanglian Saixun, including without limitation to, the rights to:

- (a) propose to convene, participate in and attend the general meetings of Guanglian Saixun on behalf of the Registered Shareholders;

CONTRACTUAL ARRANGEMENTS

- (b) exercise voting rights on all matters that require discussion and resolution of the general meetings (including but not limited to the designation, appointment or replacement of directors, supervisors and senior management of Guanglian Saixun and the amendment of the article of association of Guanglian Saixun), and sign the minutes and resolutions of the meetings;
- (c) submit any documents for filing purposes to the company registration authority on behalf of the Registered Shareholders;
- (d) resolve on the disposal of assets of Guanglian Saixun on behalf of the Registered Shareholders;
- (e) resolve on the dissolution and liquidation of Guanglian Saixun on behalf of the Registered Shareholders, and form a liquidation group on behalf of the Registered Shareholders and exercise the authority of the liquidation group during the liquidation period according to law;
- (f) for the purposes of the foregoing, sign all required documents and perform all required procedures on behalf of the Registered Shareholders; and
- (g) exercise other shareholder's rights as specified in other applicable PRC laws and regulations and the articles of association of Guanglian Saixun (and its amendments from time to time).

The Shareholders' Rights Proxy Agreement shall remain effective for 20 years unless terminated in the event that (i) the Shareholders' Rights Proxy Agreement is terminated by all parties; or (ii) the Shareholders' Rights Proxy Agreement is terminated by Guanglian Shuke in case of violation of this agreement by Guanglian Saixun and our Registered Shareholders. Upon expiration, the validity period of the Shareholders' Rights Proxy Agreement shall be automatically extended for 10 years unless Guanglian Shuke notifies Guanglian Saixun of its intention not to extend.

Spousal undertakings

The spouses of each of Mr. Zhu Hui, Mr. Zhu Lei, Mr. Jiang and Mr. Zhao signed an undertaking (the "**Spousal Undertakings**") to the effect that regarding the shares of Guanglian Saixun held by their respective spouse, (i) such shares are subject to the Equity Pledge Agreements, the Exclusive Option Agreement and the Shareholders' Rights Proxy Agreement, (ii) their respective spouse has the right to solely enjoy and perform his rights and obligations under the Equity Pledge Agreements, the Exclusive Option Agreement and the Shareholders' Rights Proxy Agreement, and his performance of the transaction documents, further modification and termination of such agreements or entering into other documents in lieu of the such agreements is not subject to their separate authorisation or consent, and (iii) all claims and other rights of Guanglian Saixun in respect of their respective spouse arising from or in connection with such agreements shall be joint debt.

CONTRACTUAL ARRANGEMENTS

The spouses of each of Mr. Zhu Hui, Mr. Zhu Lei, Mr. Jiang and Mr. Zhao undertook that (i) they shall execute all necessary documents and take all necessary actions to ensure the Equity Pledge Agreements, the Exclusive Option Agreement and the Shareholders' Rights Proxy Agreement (as amended from time to time) are and will be properly performed, (ii) in the event that any shares of Guanglian Saixun is obtained by them, they shall be subject to the Equity Pledge Agreements, the Exclusive Option Agreement, the Shareholders' Rights Proxy Agreement, and the Exclusive Business Cooperation Agreement (as amended from time to time), and (iii) for the aforesaid purpose, upon the request of Guanglian Saixun, they shall enter into a series of written documents substantially in the same format and content as the Equity Pledge Agreements, the Exclusive Option Agreement, the Shareholders' Rights Proxy Agreement and the Exclusive Business Cooperation Agreement (as amended from time to time).

Dispute Resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Exclusive Business Cooperation Agreement, Exclusive Option Agreement and Equity Pledge Agreement stipulates: (i) that the parties shall negotiate in good faith to resolve the dispute, and (ii) in the event the parties fail to reach an agreement on the resolution of the dispute, any party may submit the relevant dispute to the Shenzhen Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. The arbitration ruling shall be final and binding on all parties.

The dispute resolution clause of each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the shares or assets of Guanglian Saixun, injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of Guanglian Saixun, and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of Guanglian Saixun and the place of main assets of Guanglian Saixun) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Guanglian Saixun.

However, our PRC Legal Adviser has advised that the tribunal normally would not grant such injunctive relief or order the winding up of Guanglian Saixun pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable under the current PRC laws.

As a result of the above, if Guanglian Saixun or our 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 Entity and conduct our business could be materially and adversely affected. See "Risk Factors—Risks relating to our Corporate Structure and Contractual Arrangements" for further details.

CONTRACTUAL ARRANGEMENTS

Conflicts of interests

The Shareholders' Rights Proxy Agreement provides that the power of attorney is granted in favor of Guanglian Shuke, whereby each of the Registered Shareholders irrevocably undertook to appoint any director and his successor (including the liquidator replacing such director and its successor) of Guanglian Shuke or of the direct or indirect shareholder of Guanglian Shuke as designated by Guanglian Shuke (excluding the Registered Shareholders or connected person of the Registered Shareholders as defined under the Listing Rules) as his/its agent and attorney to act on his/its behalf on matters concerning Guanglian Saixun and to exercise all rights as a registered shareholder of Guanglian Saixun in accordance with PRC laws and the articles of association of Guanglian Saixun.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Guanglian Shuke is legally required to share the losses of, or provide financial support to Guanglian Saixun. Further, Guanglian Saixun is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Nevertheless, Guanglian Shuke intends to continuously provide to or assist Guanglian Saixun in obtaining financial support when deemed necessary. Given that our Group conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entity, which holds the requisite PRC operational licenses and approvals, and that its financial position and results of operations is 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 Entity suffers losses.

However, as provided for (among other things) in the Exclusive Option Agreement, without the prior written consent by Guanglian Shuke, (a) none of our Registered Shareholders may transfer or in any other way dispose of any shares or option over shares, or permit the guarantee or security or third party rights to be created of his equity interests in Guanglian Saixun, (b) Guanglian Saixun shall not increase or reduce its registered capital, and the Registered Shareholders may not procure or agree to Guanglian Saixun to perform a merger, or allow Guanglian Saixun to be acquired by a third party or invest in any third party, (c) the Registered Shareholders shall not dispose or procure Guanglian Saixun's management to dispose of any material assets of Guanglian Saixun (other than in its ordinary course of business), (d) the Registered Shareholders shall not procure Guanglian Saixun to declare or actually distribute any distributable reserves, bonus, shareholders' distributions or dividends, and (e) the Registered Shareholders shall procure that Guanglian Saixun does not provide or draw on any loans, or provide guarantee or enter into any act of guarantee, or incur any material obligations other than in its ordinary course of business. Therefore, due to the restrictive provisions, the potential adverse effect on Guanglian Shuke and our Company in the event of any loss suffered from the Consolidated Affiliated Entity can be limited to a certain extent.

CONTRACTUAL ARRANGEMENTS

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders have irrevocably undertaken that, in compliance with the PRC laws, Guanglian Saixun shall transfer all remaining assets to Guanglian Shuke or its assignee, at the lowest price as permitted by the PRC laws, and shall return to Guanglian Shuke or assignee any income (if any) arising from such transaction to the extent permitted by then applicable its PRC laws in force.

Confirmations from the Registered Shareholders

Each of the Registered Shareholders had undertaken to Guanglian Shuke that, in the event of death, divorce, bankruptcy, liquidation or other circumstance regarding the Registered Shareholders which may affect the exercise of his/its equity interest in Guanglian Saixun, the Registered Shareholders shall make all appropriate arrangements and execute all necessary documents to ensure that their respective spouse, successor, guardian, creditor or any other person/entity who may as a result of the above events obtain the equity interests in Guanglian Saixun shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Adviser is of the opinion that:

- (1) Guanglian Shuke and Guanglian Saixun are duly established and validly existing entities in the PRC, and each agreement under the Contractual Arrangements had been executed properly by the relevant parties;
- (2) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder, except for the provisions regarding dispute resolution;
- (3) each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under PRC laws, 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

CONTRACTUAL ARRANGEMENTS

- order and morals; or (v) a civil juristic act with malicious collusion to damage the interest of a third party, etc.; and none of the Contractual Arrangements violates any provisions of the articles of association of Guanglian Saixun;
- (4) with respect to the Contractual Arrangements, as at the Latest Practicable Date, all the approvals, permits or consents from the PRC Government authorities necessary for the execution and performance of the agreements under the Contractual Arrangements have been obtained, except:
- (a) the disposal of pledged equity interest pursuant to the Equity Pledge Agreements shall be subject to the approval and/or registration with the relevant government authorities;
 - (b) the transfer and license of intellectual property pursuant to the Exclusive Business Cooperation Agreement shall be subject to approval and/or registration with the relevant government authorities;
 - (c) the exercise of the purchase right in future pursuant to the Exclusive Option Agreement shall be subject to approval and/or registration with the relevant government authorities;
 - (d) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement; and
- (5) each of the agreements under the Contractual Arrangements is valid, legal and binding under PRC laws, except in relation to the dispute resolution clause under these agreements. These agreements provide that any dispute shall be submitted to the ShenZhen Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. They also provide that the arbitrator may award interim remedies over the shares or assets of Guanglian Saixun or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of Guanglian Saixun; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Adviser has advised that the tribunal normally would not grant such injunctive relief or order the winding up of Guanglian Saixun pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable under the current PRC laws.

CONTRACTUAL ARRANGEMENTS

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, in consideration of the services provided by Guanglian Shuke, Guanglian Saixun shall engage Guanglian Shuke as its exclusive provider of technical support, consultation, licensing and other services requested by Guanglian Saixun from time to time to the extent permitted by PRC laws, and Guanglian Saixun shall pay annual service fees to Guanglian Shuke. The service fees (subject to Guanglian Shuke's adjustment) are equal to the entirety of the net profits of Guanglian Saixun (after deducting all relevant costs, taxes and expenses). Guanglian Shuke may adjust the service fees at its full discretion and allow Guanglian Saixun to retain sufficient working capital to carry out any growth plans. Guanglian Shuke also has the right to periodically receive the accounts of Guanglian Saixun. Accordingly, Guanglian Shuke has the ability, at its sole discretion, to extract substantially all of the economic benefits from the Consolidated Affiliated Entity.

Additionally, under the Exclusive Option Agreement, the written consent of Guanglian Shuke must be obtained before any distribution of dividends is made. As such (and under the Shareholders' Rights Proxy Agreement), Guanglian Shuke has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Guanglian Saixun. In the event that our Registered Shareholders receive any profit distribution or dividend from Guanglian Saixun, our Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Guanglian Shuke.

As a result of these Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entity through Guanglian Shuke and, at our Company's sole discretion, can receive substantially all the economic interest returns generated by our Consolidated Affiliated Entity. Accordingly, our Consolidated Affiliated Entity's results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

For the reasons above, our Directors consider that our Company can consolidate the financial results of the Consolidated Affiliated Entity into our Group's financial information as if it were our Company's subsidiary held through equity. The basis of combining the results of the Consolidated Affiliated Entity is disclosed in Note 2 of the Accountant's Report in Appendix I to this document.

CONTRACTUAL ARRANGEMENTS

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law and the Implementing Rules

On 15 March 2019, the National People’s Congress approved the PRC Foreign Investment Law, and on 26 December 2019, the State Council promulgated the Implementing Rules to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on 1 January 2020 and replaced three major previous laws on foreign investments in China, namely, the PRC Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their respective implementing rules. The Foreign Investment Law stipulates several forms of the foreign investment, but does not explicitly stipulate whether the foreign investments via contractual arrangements would be considered as a form of foreign investments. As advised by our PRC Legal Adviser, the Foreign Investment Law, as it is interpreted and implemented as of the date of this document, does not have a material adverse impact on our Contractual Arrangements, including their legality and validity.

However, our PRC Legal Adviser also advised that as there may be changes in the interpretation and application of the PRC laws, rules and regulations, 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 Adviser.

Impact and Potential Consequences of the Foreign Investment Law on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entity by Guanglian Shuke, through which we operate our business in the PRC.

Although the Foreign Investment Law and the Implementing Rules do not explicitly provide whether the investments via contractual arrangements should be considered as a method of foreign investment, the Foreign Investment Law stipulates that foreign investment includes “foreign investors investing in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entity will not be materially and adversely affected in the future due to developments and changes in PRC laws and regulations. See “Risk Factors—Risks relating to our Corporate Structure and Contractual

CONTRACTUAL ARRANGEMENTS

Arrangements—Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and its Implementing Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations”.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

We have 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 enquiries 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 to update our Shareholders;
- (4) our Company will provide periodic updates in our annual reports regarding our status of compliance with the Foreign Investment Law and the Implementing Rules, together with any applicable regulatory development to them; and
- (5) our Company will engage external legal adviser or other professional advisers, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of Guanglian Shuke and the Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that Mr. Zhao, our executive Director, our chief executive officer and our general manager, is also one of the Registered Shareholders, and Xinjiang Rongying and Zhenghe Futong, both being our Registered Shareholders, also have some of their interests directly or indirectly held by Mr. Zhu Lei and/or Mr. Jiang, both being our executive Directors, we believe that our Directors are able to perform their roles in our Group independently, and our Group is capable of managing its business independently after the [REDACTED] because:

- (a) the decision making mechanism of our Board as set out in our Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of a conflict of interest that is material, a Director shall declare the nature of his or her interest at the earliest meeting of

CONTRACTUAL ARRANGEMENTS

our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having a material interest in any contract or arrangement, such Director shall abstain from voting and not be counted towards the quorum;

- (b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Group; and
- (c) we have appointed three independent non-executive Directors, to provide a balance of executive and non-executive Directors representing interested and independent views to promote the interests of our Shareholders as a whole.